

**NPM ADJUSTMENT SETTLEMENT AGREEMENT**

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**I. RECITALS**

WHEREAS, the Settling States and the Participating Manufacturers are parties to the Master Settlement Agreement (“MSA”);

WHEREAS, pursuant to the MSA, the Participating Manufacturers make certain payments for the benefit of the Settling States each year;

WHEREAS, the MSA provides that certain of the Participating Manufacturers’ payments for the benefit of the Settling States are subject to the Non-Participating Manufacturer Adjustment (“NPM Adjustment”);

WHEREAS, the Settling States and the Participating Manufacturers have disputes concerning the NPM Adjustments for 2003-2012;

WHEREAS, the Settling States (other than Montana) and the Participating Manufacturers were parties to an arbitration regarding the 2003 NPM Adjustment (the “2003 arbitration”);

WHEREAS, 26 Settling States and 34 Participating Manufacturers have entered into a Term Sheet for settlement in order to avoid the further expense, delay, inconvenience, burden and uncertainty of continued disputes with respect to the applicability of such NPM Adjustments;

WHEREAS, the Term Sheet provides for the settlement of specified NPM Adjustment disputes as among the Signatory Parties, including the final resolution as among them of the 2003-2012 NPM Adjustments and certain provisions as among them regarding the NPM Adjustments for subsequent years;

WHEREAS, the PMs reserve all rights regarding the NPM Adjustment with respect to all Non-Signatory States;

WHEREAS, the arbitration panel in the 2003 arbitration has entered a Stipulated Partial Settlement and Award (“Award”) incorporating specified terms of the Term Sheet and permitting the Signatory Parties to proceed with the settlement pursuant to the Term Sheet;

WHEREAS, the Award satisfies the second condition of Section IV.E of the Term Sheet, and the Term Sheet is binding on the Signatory Parties;

WHEREAS, the Independent Auditor has implemented the provisions of the Term Sheet with respect to the April 15, 2013, April 15, 2014, April 15, 2015, April 15, 2016, and April 17, 2017 MSA payments;

WHEREAS, the Term Sheet provides that the Signatory Parties will cooperate in the drafting and execution of a comprehensive final settlement agreement incorporating the terms of that Term Sheet, as well as all other customary terms and conditions acceptable to the Signatory Parties;

WHEREAS, this Settlement Agreement constitutes such comprehensive final settlement agreement and, upon execution by all Signatory Parties, will supersede the Term Sheet and be binding upon all Signatory Parties;

NOW, THEREFORE, BE IT KNOWN THAT, in consideration for the payments and credits provided for in this Settlement Agreement, and such other consideration as described in this Settlement Agreement, the sufficiency of which is hereby acknowledged, the Signatory Parties, acting by and through their authorized representatives, memorialize and agree as follows:

**II. DEFINITIONS**

A. All capitalized terms not otherwise defined in this Settlement Agreement shall be defined as in the MSA.

B. “[Year] NPM Adjustment,” or “NPM Adjustment for [Year]” means the NPM Adjustment based on the Market Share Loss for the specified year and applicable to the payments due pursuant to MSA Section IX(c) on April 15 of the year following the specified year, calculated as provided in the MSA. For example, the 2003 NPM Adjustment, or the NPM Adjustment for 2003, means the NPM Adjustment based on the Market Share Loss for 2003 and applicable to the MSA payments due on April 15, 2004.

C. “Allocable Share” means the percentage for the State in question as set forth in Exhibit A to the MSA.

D. “IX(c)(2) Allocable Share” means the percentage for the State in question as determined in 1999 pursuant to Exhibit U to the MSA.

E. “IX(c)(1) Allocated Settlement Percentage” of a Signatory State means the percentage set forth for that State in the second column of Exhibit A to this Settlement Agreement.

F. “IX(c)(2) Allocated Settlement Percentage” of a Signatory State means the percentage set forth for that State in the third column of Exhibit A to this Settlement Agreement.

G. “Allocable Share Repeal” means an amendment to a Signatory State’s Escrow Statute substantially in the form of the attachment to Amendment 21 to the MSA, dated January 9, 2003.



H. “Complementary Legislation” means a State statute substantially in the form of the Model Complementary Legislation proposed by the National Association of Attorneys General in December of 2002. Solely for purposes of this Settlement Agreement, a statute listed in Exhibit B, as such statute is in effect in the respective Signatory State as of the Effective Date, shall be considered to be substantially in the form of such Model Complementary Legislation so long as the respective State continuously has such statute in full force and effect. The PMs reserve all rights to contend otherwise for purposes other than this Settlement Agreement.

I. “Effective Date” means the date by which PMs with an aggregate Market Share in 2016 equal to at least 90%, and Signatory States with an aggregate Allocable Share equal to at least 90% of the aggregate Allocable Share of (i) the 2016 Signatory States, (ii) Oregon, and (iii) Rhode Island, have executed this Settlement Agreement.

J. “Equity Fee” means a payment imposed by an Equity Fee Law.

K. “Equity Fee Law” means a statute, regulation or other State directive in effect in a Previously Settled State that, by its terms: (i) imposes a per-Cigarette payment (including payments per carton, per pack, or per other package of Cigarettes), whether denominated as a “fee,” “tax,” “assessment,” or by any other name, on the distribution or sale in such Previously Settled State of all Cigarettes manufactured or imported by NPMs (including without limitation legislation or regulation or other State directive requiring distributors, retailers, or consumers to make such payments) that are within such State’s authority under federal law with respect to a tax described in subsection II.V(i); (ii) sets the per-Cigarette payment at an amount equal to or greater than 90% of the escrow amount per Cigarette sold in the same year under subsection (b)(1) of the Requirements section of the Model Statute (attached as Exhibit T to the MSA) (as

such amount is adjusted for inflation pursuant to the Model Statute); (iii) exempts from any part of such payment Cigarettes on which payments are made under that Previously Settled State's Tobacco Settlement Agreement; and (iv) if the PSS Amendment has not become effective, exempts from at least 73% of such payment Cigarettes manufactured or imported by an SPM (other than Cigarettes of a brand previously owned by an OPM). The NPM fee laws in effect as of the Effective Date in Mississippi, Minnesota and Texas shall be deemed to be Equity Fee Laws solely for purposes of this Agreement whether or not they otherwise would meet the foregoing definition, so long as (w) such laws continue to apply to all NPM Cigarettes to which they apply as of the Effective Date, (x) the per-Cigarette amount in effect under such laws (including any inflation requirement in such laws) remains at least as large as it was on the Effective Date, (y) the fee under such laws is not subsequently imposed on the sale or distribution of any Cigarettes on which payments are made under that Previously Settled State's Tobacco Settlement Agreement, and (z) with respect to the NPM fee law in Texas, until after the PSS Amendment becomes effective, the fee under such law is not subsequently imposed on the sale or distribution of any Cigarettes manufactured or imported by any SPM (other than Cigarettes of a brand previously owned by an OPM) in excess of the amount imposed on that SPM on the Effective Date. The PMs will cooperate in good faith with respect to the enactment of an Equity Fee Law in Florida and any proposed amendments to the Equity Fee Laws in Mississippi, Minnesota or Texas, in each case as consistent with the foregoing (including not supporting any reduction of the per-Cigarette amount in effect under such laws) and provided that any such legislation is not in conjunction with any other legislative proposal, except that each PM reserves its rights to support or oppose the enactment, amendment or interpretation of any legislation in any Previously Settled State with respect to (1) Cigarettes

manufactured or imported by an SPM that has a Tobacco Settlement Agreement with that Previously Settled State and (2) Cigarettes manufactured or imported by an SPM of a brand previously owned by an OPM. If PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% support the enactment in Florida (or in Texas, Mississippi or Minnesota if an Equity Fee Law is no longer effective in those States) of an NPM fee law that does not meet the definition of Equity Fee Law and such law is enacted, the law shall be deemed to meet the definition of Equity Fee Law solely for purposes of this Agreement as to all PMs.

L. “Escrow Statute” of a State means a State statute in the form set forth in Exhibit T to the MSA, if enacted without modification or addition (except for particularized state procedural or technical requirements) and not in conjunction with any other legislative or regulatory proposal. A statute listed in Exhibit C, as such statute is in effect in the respective Signatory State as of the Effective Date, shall be considered to be such Escrow Statute so long as the respective State continuously has such statute in full force and effect. The PMs reserve all rights with respect to what constitutes an Escrow Statute in a Non-Signatory State.

M. “Initial OPM” means Philip Morris USA Inc. (as successor-in-interest to Philip Morris Incorporated) and R.J. Reynolds Tobacco Company (for itself and as successor-in-interest to Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company).

N. “Non-Compliant NPM Cigarettes” means Cigarettes described in subsection V.B.3.

O. “Non-Signatory State” means a Settling State that is not a signatory to this Settlement Agreement.

P. “NPM” means a Non-Participating Manufacturer. For purposes of this Settlement Agreement, a Tobacco Product Manufacturer shall be treated as a Participating Manufacturer or an NPM as it would be treated under the MSA.

Q. “OPM” means an Initial OPM; in addition, any SPM that assumes the obligations of an Original Participating Manufacturer within the meaning of MSA Section XVIII(c) with respect to a brand formerly owned by an Original Participating Manufacturer shall be treated for purposes of this Settlement Agreement the same way as the Independent Auditor determines it should be treated under the MSA (subject to the MSA parties’ right to dispute any such determination pursuant to MSA Section XI(c) and to the outcome of any such dispute), and shall be considered an OPM or SPM with respect to such brand, as applicable. Each such SPM shall continue to be treated as, and considered, an SPM as to a particular brand or brands it manufactures that were not formerly owned by an Original Participating Manufacturer.

R. “Potential Maximum NPM Adjustment” for the OPMs for a year in question means the OPMs’ total aggregate amount of the NPM Adjustment for such year in question calculated pursuant to MSA Section IX(d) (without regard to any subsequent revisions to such formula pursuant to any agreement between the PMs and any States), assuming that all Settling States’ Allocated Payments are subject to the NPM Adjustment for that year and the NPM Adjustment for that year would be applied pursuant to MSA Section IX(d)(1)(C)-(D). An SPM’s “Potential Maximum NPM Adjustment” for a year in question means the SPM’s total amount of the NPM Adjustment for such year calculated pursuant to MSA Section IX(d) (without regard to any subsequent revisions to such formula pursuant to any agreement between the PMs and any States), assuming that all Settling States’ Allocated Payments are

subject to the NPM Adjustment for that year and the NPM Adjustment for that year would be applied pursuant to MSA Section IX(d)(1)(C)-(D) and (4). For avoidance of doubt, if an SPM owns a brand previously owned by an OPM and is entitled to a share of the OPMs' Potential Maximum NPM Adjustment for a year based on Cigarettes of that brand, the calculation of such SPM's Potential Maximum NPM Adjustment for that year shall not include Cigarettes of that brand.

S. "PM" means a Participating Manufacturer that is a signatory to this Settlement Agreement.

T. "PSS Amendment" means an amendment to the MSA substantially in the form of the draft Amendment 27 to the MSA dated October 2008.

U. "Previously Settled States" means Florida, Minnesota, Mississippi and Texas.

V. "SET" of a State means, for purposes of this Settlement Agreement: (i) State excise tax or other State tax on the distribution or sale of any Cigarettes (other than a State or local sales tax that is applicable to consumer products generally and is not in lieu of an excise tax); and (ii) an excise or other tax on the distribution or sale of any Cigarettes imposed by a State-recognized or federally-recognized Native American tribe located in whole or in part within the geographic boundaries of the State (other than a tribal sales tax that is applicable to consumer products generally and is not in lieu of an excise tax), if such distribution or sale was within the State's taxing authority under federal law with respect to a tax described in clause (i), provided, however, that this clause (ii) does not include a tribal tax as to which the State establishes that it did not formally or informally acquiesce in the tax's imposition or collection in lieu of a tax described in clause (i) (including, without limitation, acquiescing by making the rate of a tax described in clause (i) zero). A tax falling within the foregoing definition of SET

qualifies as an SET whether or not the State or a tribe required that packages or containers of the Cigarettes be stamped with an SET or other tax stamp.

W. “Signatory Parties” means, collectively, all Signatory States and all PMs.

X. “Signatory State” means any Settling State that is or becomes a signatory to this Settlement Agreement, including Subsequent-Joining Signatory States.

Y. “SPM” means a PM that is a Subsequent Participating Manufacturer, subject to subsection II.Q.

Z. “Subsequent-Joining Signatory State” means a Settling State that becomes a Signatory State after the end of individual state hearings in the 2003 arbitration.

AA. “Tobacco Settlement Agreement” of a Previously Settled State means, respectively (and, in each case, as such agreement is amended, supplemented or replaced):

(i) the August 25, 1997 Settlement Agreement among the State of Florida, Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company and United States Tobacco Company; (ii) the May 8, 1998 Settlement Agreement and Stipulation for Entry of Consent Judgment among the State of Minnesota, Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company; (iii) the October 17, 1997 Comprehensive Settlement Agreement and Release among the State of Mississippi, Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company; (iv) the January 16, 1998 Comprehensive Settlement Agreement and Release among the State of Texas, Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company and United States Tobacco Company; and (v) for purposes of the penultimate

sentence of Section II.K, the March 15, 1996 and March 20, 1997 Settlement Agreements among certain States, Liggett Group, Inc., Liggett & Myers Inc. and Brooke Group Ltd.

BB. “2003 Contested Signatory State Whose Diligent Enforcement Was Not Determined” means a Signatory State whose diligent enforcement of its Escrow Statute during 2003 was contested by the PMs in the 2003 arbitration but was not determined by the arbitration panel in the 2003 arbitration. Such States are listed in Exhibit D.

CC. “2003 Uncontested Signatory State” means a Signatory State whose diligent enforcement of its Escrow Statute during 2003 was not contested by the PMs in the 2003 arbitration. Both Signatory States and Non-Signatory States that were so not contested (including Montana) are listed in Exhibit E.

DD. “2016 Signatory State” means the following Signatory States: Alabama, Arizona, Arkansas, California, Connecticut, District of Columbia, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Virginia, West Virginia and Wyoming. The term does not include any Subsequent-Joining Signatory States other than Kentucky and Indiana.

**III. 2003-2012 NPM ADJUSTMENTS**

A. Settlement by the Initial OPMs.

1. The Signatory Parties agree that the aggregate amount of the disputed NPM Adjustments for 2003-2012 (including interest and earnings on such Adjustments) is (i) \$8,190,565,465.07 in respect of the Initial OPMs’ payments under MSA Section IX(c)(1) and (ii) \$488,353,515.88 in respect of the Initial OPMs’ payments under MSA Section IX(c)(2). The Signatory Parties further agree that such amounts shall not change

notwithstanding any subsequent revision to or recalculation of any such Adjustments by the Independent Auditor.

2. In consideration of the final resolution of the disputes among the Signatory Parties regarding the 2003-2012 NPM Adjustments, the Initial OPMs shall receive a projected amount equal to the total of (i) the amount in subsection III.A.1(i) multiplied by the aggregate IX(c)(1) Allocated Settlement Percentage of the Signatory States and (ii) the amount in subsection III.A.1(ii) multiplied by the aggregate IX(c)(2) Allocated Settlement Percentage of the Signatory States. Such total amount is referred to as the “Projected OPM Settlement Amount.”

3. Based on the States that became Signatory States prior to April 15, 2013 (as such States and their respective Allocated Settlement Percentages are listed in Exhibit A), the portion of the Projected OPM Settlement Amount attributable to MSA Section IX(c)(1) payments, as calculated pursuant to subsection III.A.2(i), equals \$1,621,321,258.46, and the portion of the Projected OPM Settlement Amount attributable to MSA Section IX(c)(2) payments, as calculated pursuant to subsection III.A.2(ii), equals \$79,239,110.99, for a total Projected OPM Settlement Amount of \$1,700,560,369.45. (The Projected OPM Settlement Amounts resulting from additional Settling States’ becoming Signatory States after April 15, 2013 are addressed in subsections III.D-E below.)

4. The Initial OPMs shall receive the Projected OPM Settlement Amount set forth in subsection III.A.3 in a form of (i) a credit against their MSA payments due on April 15, 2013 (the “2013 Credit”) and (ii) a percentage reduction to each of the Initial OPMs’ four subsequent MSA payments due April 15, 2014-2017 (each a “[Year] Percentage Reduction,” and collectively the “2014-2017 Percentage Reductions”).



5. The total dollar amount of the Initial OPMs' 2013 Credit shall equal 50% of the total Projected OPM Settlement Amount set forth in subsection III.A.3, or \$850,280,184.72. That total dollar amount shall consist of (i) 50% of the portion of the Projected OPM Settlement Amount attributable to MSA Section IX(c)(1) payments, or \$810,660,629.23, and (ii) 50% of the portion of the Projected OPM Settlement Amount attributable to MSA Section IX(c)(2) payments, or \$39,619,555.49.

6. The principal dollar amount due to the Initial OPMs as a result of the application of each of the 2014-2017 Percentage Reductions shall be determined by multiplying the aggregate payment amount due from all of the Initial OPMs pursuant to MSA Section IX(c)(1) on April 15 of the respective year by the applicable Percentage Reduction (determined as provided below). For purposes of this subsection III.A.6, this aggregate Initial OPM payment amount shall be after the application of the Inflation Adjustment, Volume Adjustment and Previously Settled States Reduction, but before the application of any remaining adjustments, reductions and offsets under the MSA or this Settlement Agreement, all as determined by the Independent Auditor in the latest Final Calculation prior to the respective Payment Due Date. (The dollar amount due to the Initial OPMs as a result of the application of a Percentage Reduction shall not change notwithstanding any subsequent revision to or recalculation of such aggregate Initial OPM payment amount by the Independent Auditor.) Such principal dollar amount shall be increased by interest as provided in subsection III.A.9.

7. Each of the 2014-2017 Percentage Reductions shall be determined on November 15 of the year prior to the year the respective Percentage Reduction shall be applied. (For example, the 2014 Percentage Reduction shall be determined on November 15, 2013.) Absent other agreement by the Signatory States and each Initial OPM scheduled to

receive a Percentage Reduction credit, each such Percentage Reduction shall be determined so that multiplying the applicable Estimated MSA Payment (as defined below) by such Percentage Reduction will produce a dollar amount equal to 12.5% of the total Projected OPM Settlement Amount set forth in subsection III.A.3, or \$212,570,046.18.

8. The “Estimated MSA Payment” shall mean an estimate of the aggregate amount due from all of the Initial OPMs pursuant to MSA Section IX(c)(1) on April 15 of the year following the year in which such estimate is being made, after the application of the Inflation Adjustment, Volume Adjustment and Previously Settled States Reduction, but before the application of any remaining adjustments, reductions and offsets under the MSA or this Settlement Agreement. Estimated MSA Payments due in each of 2014-2017 shall be estimated on November 15 of the year prior to the year in which the payment is due, as follows.

a. The Inflation Adjustment shall be calculated pursuant to Exhibit C to the MSA, except that such adjustment shall be based on the Consumer Price Index for September (as released in October) of the year prior to the year in which the payment is due.

b. The Volume Adjustment shall be calculated pursuant to Exhibit E to the MSA, except that shipment volume for the Applicable Year (which is also the year in which the estimate is being made) shall be the sum of the actual total OPM shipment volume in the first three quarters of the Applicable Year and an estimate of total OPM shipment volume in the fourth quarter of such year. For determining the 2014 and 2015 Percentage Reductions, fourth-quarter volume shall be estimated by calculating the percentage that the total OPM shipment volume in the fourth quarter of the year prior to the Applicable Year represented of the total OPM shipment volume in the first three quarters of that prior year, and then applying that percentage to the total OPM shipment volume in the first three quarters of the Applicable

Year. (For example, if, in 2012, 100 OPM Cigarettes were shipped in the first three quarters and 30 in the fourth quarter, then the percentage referenced in the preceding sentence would be 30%. If, in 2013, 90 OPM Cigarettes were shipped in the first three quarters, then the estimated volume for the fourth quarter of 2013 would be 27 (90 times 30%), and the total volume in 2013, for estimating the Estimated MSA Payment due in 2014, would be 117 (90 plus 27).) For determining the 2016 Percentage Reduction, shipment volume for the fourth quarter of 2015 shall be estimated in the same way, unless the net principal dollar amount that the Initial OPMs received from application of the 2014 and 2015 Percentage Reductions exceeded, by more than \$2 million, 25% of the Projected OPM Settlement Amount, in which case the Signatory States may elect to have such estimated shipment volume equal the actual shipment volume for the fourth quarter of 2014. For determining the 2017 Percentage Reduction, if the net principal dollar amount that the Initial OPMs received from application of the 2014, 2015 and 2016 Percentage Reductions equaled or was less than 37.5% of the Projected OPM Settlement Amount, then the shipment volume for the fourth quarter of 2016 shall be estimated in the same way as for the 2014 and 2015 Percentage Reductions; if and only if such net principal dollar amount exceeded such 37.5%, then the Signatory States may elect to have such estimated shipment volume equal the actual shipment volume for the fourth quarter of 2015.

c. For purposes of determining whether the Signatory States may elect the alternative estimation of shipment volumes for the fourth quarters of 2015 and 2016 pursuant to subsection III.A.8.b (to determine the 2016 and 2017 Percentage Reductions, respectively), the Projected OPM Settlement Amount shall not include settlement amounts due from Indiana and Kentucky. For all other purposes of determining the 2015, 2016 and 2017

Percentage Reductions, the Projected OPM Settlement Amount shall include settlement amounts due from Indiana and Kentucky. For determining the 2018 Percentage Reduction applicable to Indiana and Kentucky, the method of estimating the shipment volume for the fourth quarter of 2017 shall be selected and operate in the same way as the method for estimating the shipment volume for the fourth quarter of 2016 (for determining the 2017 Percentage Reduction), except that, in determining whether the 37.5% threshold was exceeded, only the settlement amounts received and projected to be received from Indiana and Kentucky through the 2015, 2016 and 2017 Percentage Reductions shall be considered, and, if those Signatory States are authorized to and do elect the second method stated in the last sentence of subsection III.A.8.b, then the estimated shipment volume for the fourth quarter of 2017 shall equal the actual shipment volume for the fourth quarter of 2016.

d. The volume of any brand formerly owned by an Initial OPM that is now manufactured by an SPM shall continue to be included in the calculations of the Volume Adjustment pursuant to subsection III.A.8.b. Provided, however, that, because the Percentage Reductions under subsections III.A.6-8 apply only to the Initial OPMs, the Estimated MSA Payment and the aggregate payment amount due from all of the Initial OPMs as referenced in subsection III.A.8 shall not include the MSA payments due from such SPM with respect to such brand.

9. The principal dollar amount of each Percentage Reduction determined pursuant to subsection III.A.6 shall be increased by interest accruing at the Prime Rate from April 15, 2013, to April 15 of the year in which the relevant Percentage Reduction is applied. Provided, however, that for purposes of calculating such interest only, each such principal dollar amount shall be reduced by the aggregate Allocable Share of the States that became

Signatory States before April 15, 2013 of \$83,748,186.69, or \$36,039,003.34. (The calculation of the principal for purposes of calculating the interest, and the reduction in principal for purposes of calculating such interest, resulting from additional Settling States becoming Signatory States after April 15, 2013 are addressed in subsections III.D and III.E below.)

10. The total dollar amount of the 2013 Credit and of each of the 2014-2017 Percentage Reductions shall be allocated among the Initial OPMs as they direct.

B. Settlement by the SPMs.

1. In consideration of the final resolution of the disputes among the Signatory Parties regarding the 2003-2012 NPM Adjustment, and as further addressed in Exhibit F, the Signatory Parties agree that the aggregate settlement amounts related to the disputed MSA Section IX(c)(1) and MSA Section IX(c)(2) NPM Adjustments for 2003-2012 (including interest and earnings on such Adjustments) for each SPM are the amounts for that SPM set forth in Exhibit F, Chart F.1. The Signatory Parties further agree that such amounts shall not change notwithstanding any subsequent revision to or recalculation of any such Adjustments by the Independent Auditor.

2. Based on the States that became Signatory States prior to April 15, 2013 (as listed in Exhibit A), each SPM's settlement amount attributable to MSA Section IX(c)(1) payments is calculated pursuant to subsection III.B.2(i) and Exhibit F, and each SPM's settlement amount attributable to MSA Section IX(c)(2) payments is calculated pursuant to subsection III.B.2(ii) and Exhibit F. (The settlement amounts resulting from additional Settling States' becoming Signatory States after April 15, 2013 are addressed in subsections III.D-E below and Exhibit F.)

3. Each SPM shall receive its total settlement amount in the manner provided in Exhibit F.

4. Exhibit F further provides for (i) the treatment of SPMs that withheld amounts attributable to NPM Adjustments for 2003-2012, and (ii) the calculation of credits, including the application of interest, as to those SPMs that elected to receive their credits over time.

C. Allocation Among the Signatory States.

1. All credits and reductions described in subsections III.A-B shall be allocated solely to and among the Signatory States as follows. No part of such credits or reductions shall be allocated to any Settling State that is a Non-Signatory State.

2. For the States that became Signatory States prior to April 15, 2013:

a. All credits described in subsections III.A-B that are attributable to MSA Section IX(c)(1) payments for the benefit of such Signatory States shall be allocated among those Signatory States in proportion to their respective IX(c)(1) Allocated Settlement Percentages. All credits described in subsections III.A-B that are attributable to MSA Section IX(c)(2) payments for the benefit of such Signatory States shall be allocated among those Signatory States in proportion to their respective IX(c)(2) Allocated Settlement Percentages.

b. For purposes of allocating the dollar amount due to the Initial OPMs as a result of the application of each of the 2014-2017 Percentage Reductions, each such dollar amount shall be divided into two parts, one part attributable to MSA Section IX(c)(1) payments and another part attributable to MSA Section IX(c)(2) payments, in proportion to the corresponding portions of the total Projected OPM Settlement Amount set forth in subsection III.A.3. The part attributable to MSA Section IX(c)(1) payments for the benefit of such

Signatory States shall be allocated among those Signatory States in proportion to their respective IX(c)(1) Allocated Settlement Percentages. The part attributable to MSA Section IX(c)(2) payments for the benefit of such Signatory States shall be allocated among those Signatory States in proportion to their respective IX(c)(2) Allocated Settlement Percentages. Allocation of the dollar amount due to the SPMs that receive Percentage Reductions pursuant to Exhibit F shall be determined in the same manner, except that, for each such SPM, the payments shall be divided into two parts, one part attributable to MSA Section IX(c)(1) payments and another part attributable to MSA Section IX(c)(2) payments, in proportion to the corresponding portions of the Projected SPM Settlement Amount for that SPM set forth in Exhibit F, Chart F.1.

c. Any such credits and reductions may be reallocated among such Signatory States as they direct.

3. All credits and reductions due to a PM pursuant to section III that are allocated to a Signatory State shall be applied up to the full amount of that PM's payment for the benefit of such Signatory State in the year in question pursuant to MSA Sections IX(c)(1) and IX(c)(2). If a PM's credit or reduction amount allocated to a particular Signatory State cannot be applied in full in any year because that Signatory State does not have sufficient total payments due from that PM under MSA Sections IX(c)(1) and IX(c)(2) for the benefit of that Signatory State against which it could be used as a result of the application of the NPM Adjustment or as pursuant to this Settlement Agreement, all unused amounts shall carry forward (with interest at the Prime Rate) and apply against subsequent eligible payments due from that PM for the benefit of that Signatory State until all such amounts have been applied. This provision does not apply to an SPM that falls within the circumstances described in

subsection IX.K, except that, if such SPM would be entitled to interest under this paragraph if it did not fall within the circumstances described in subsection IX.K, it will be entitled to such interest.

D. States That Joined Between April 15, 2013 and the End of Individual State Hearings in the 2003 Arbitration.

1. Two States joined the settlement and became Signatory States between April 15, 2013 and the end date of the last individual State hearing in the 2003 arbitration. The respective IX(c)(1) and IX(c)(2) Allocated Settlement Percentages of these States are set forth in Exhibit A.

2. Such joinder by each of these Signatory States gives rise to a Projected OPM Settlement Amount in addition to that set forth in subsection III.A.3. For each such additional Signatory State, such additional Projected OPM Settlement Amount shall be calculated as follows: (i) the portion of the additional Projected OPM Settlement Amount attributable to MSA Section IX(c)(1) payments shall equal the amount in subsection III.A.1(i) multiplied by the IX(c)(1) Allocated Settlement Percentage of such State, and (ii) the portion of the additional Projected OPM Settlement Amount attributable to MSA Section IX(c)(2) payments shall equal the amount in subsection III.A.1(ii) multiplied by the IX(c)(2) Allocated Settlement Percentage of such State. The total additional Projected OPM Settlement Amount attributable to each such Signatory State shall equal the sum of the amounts in clauses (i) and (ii).

3. The Initial OPMs shall receive the total additional Projected OPM Settlement Amount attributable to each such Signatory State, as referenced in subsection III.D.2, in the form of (i) a credit against their MSA payments due on April 15, 2014 (the “2014 Credit”) and (ii) an increase in the 2014-2017 Percentage Reductions. Such amounts shall be



determined and provided to the Initial OPMs consistent with the provisions of subsections III.A.4-10, except as follows.

a. The principal amount of the 2014 Credit attributable to each such Signatory State shall equal 50% of the respective additional Projected OPM Settlement Amount determined pursuant to subsection III.D.2.

b. The 2014-2017 Percentage Reductions shall be increased by (i) adding, for purposes of determining the Percentage Reduction pursuant to subsection III.A.7, the total additional Projected OPM Settlement Amount determined pursuant to subsection III.D.2 for each such additional Signatory State to the total Projected OPM Settlement Amount set forth in subsection III.A.3, and (ii) adding, for purposes of determining the applicable amount of interest pursuant to subsection III.A.9, each such additional Signatory State's Allocable Share to the aggregate Allocable Share of the States that became Signatory States before April 15, 2013.

4. Such joinder by these additional Signatory States also gives rise to settlement amounts for each SPM in addition to those described in subsection III.B.3. For each such additional Signatory State, such additional settlement amounts due to an SPM shall be calculated as set out in Exhibit F. The SPMs shall receive such additional settlement amounts consistent with the provisions of Exhibit F.

5. The additional settlement amounts described in subsections III.D.2-4 shall be allocated among the Signatory States and applied consistent with the provisions of subsection III.C, except as follows.

a. The 2014 Credit attributable to each such additional Signatory State shall be allocated solely to such State.

b. For purposes of allocating the total dollar amount of each Percentage Reduction, as determined pursuant to subsections III.A.6-9 and increased pursuant to subsection III.D.3 (or, for SPMs as determined and increased pursuant to Exhibit F), each such additional Signatory State's respective IX(c)(1) Allocated Settlement Percentages and IX(c)(2) Allocated Settlement Percentages shall be included for purposes of subsection III.C.2.

c. Notwithstanding the foregoing, the dollar amount of each of the 2014-2017 Percentage Reductions allocated to the State of Connecticut shall be carried forward one year and applied to the Initial OPMs' (and, for SPMs that receive a Percentage Reduction, each SPM's) next respective year's MSA payments for the benefit of Connecticut, with interest at the Prime Rate accruing during such year. (For example, the dollar amount of the 2014 Percentage Reduction allocated to Connecticut shall apply to the Initial OPMs' or an SPM's MSA payments for the benefit of Connecticut due on April 15, 2015, with interest at the Prime Rate accruing from April 15, 2014 to April 15, 2015.)

d. Such credits and reductions may be reallocated among the Signatory States as they direct.

E. Subsequent-Joining Signatory States.

1. Additional Settling States may join this Settlement Agreement before or after the Effective Date and become Subsequent-Joining Signatory States if the PMs, in their sole discretion, agree. A Subsequent-Joining Signatory State's IX(c)(1) Allocated Settlement Percentage shall equal 59% of its Allocable Share and its IX(c)(2) Allocated Settlement Percentage shall equal 59% of its IX(c)(2) Allocable Share. Provided, however, that the PMs, in their sole discretion, may agree to change the applicable percentage specified in the

preceding sentence. The PMs, in their sole discretion, may further agree to add statutes then in effect in such Subsequent-Joining Signatory State to Exhibits B and C.

2. For purposes of any agreement by the PMs referenced in subsection III.E.1, agreement by the PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% of the aggregate Market Share of all the PMs shall be sufficient and shall bind any remaining PMs. The Signatory States agree that such agreement by the PMs (including such agreements already made with certain Signatory States after December 17, 2012 to reduce the applicable percentage for those States to 46%, and the agreements described in subsection III.E.6) shall not give rise to any claims pursuant to subsection IX.A and shall not obligate the PMs to agree to any similar agreement for any other Settling State.

3. Such joinder by Subsequent-Joining Signatory States shall give rise to Projected OPM Settlement Amounts in addition to those set forth in subsections III.A.3 and III.D.2, and to interest in addition to interest set forth in subsections III.A.9 and III.D.3.b. Unless the Initial OPMs and the respective Subsequent-Joining Signatory State agree otherwise, the Initial OPMs shall receive the additional Projected OPM Settlement Amounts and interest consistent with the provisions of subsection III.D, except that the 50% credit shall be applied against the first MSA payment following such State's execution of this Settlement Agreement, and the remaining settlement amount shall be divided into four equal percentage reductions applied against the four subsequent MSA payments. All such credits and reductions shall be allocated among the Initial OPMs as they direct.

4. Such joinder by Subsequent-Joining Signatory States shall also give rise to settlement amounts for each SPM in addition to those described in subsections III.B.3 and

III.D.4. The SPMs shall receive such additional settlement amounts consistent with the provisions of Exhibit F, unless the respective SPM and Subsequent-Joining Signatory State agree otherwise.

5. The additional settlement amounts described in subsections III.E.3-4 attributable to each Subsequent-Joining Signatory State shall be allocated solely to such State, and otherwise applied consistent with the provisions of subsection III.C, except as directed by the Signatory States.

6. Four States, Indiana, Kentucky, Oregon and Rhode Island have become Subsequent-Joining Signatory States prior to the Effective Date, on the terms set forth in Exhibits G, H, I and J, respectively. All provisions of this Settlement Agreement apply to Indiana and Kentucky except as specifically provided in Exhibits G and H, in subsection III.A.8.c, and in Exhibit F. All provisions of this Settlement Agreement apply to Oregon except subsection V.A.10 and as specifically provided in Exhibit I. All provisions of this Settlement Agreement apply to Rhode Island except as specifically provided in Exhibit J, provided, however, that the applicability to Rhode Island of subsection V.A.10 and the provisions of subsections VIII.A.2 and VIII.B.2 related to the 2015 NPM Adjustment are subject to a condition subsequent that Rhode Island obtain bondholder approval of subsection V.A.10 as applied to Rhode Island prior to March 31, 2018 (which Rhode Island agrees it will use reasonable best efforts to obtain).

F. No Effect on MSA Payment Calculations. Other than applying as provided in this Settlement Agreement, the credits and reductions described in this section III shall not be included in, and shall not affect, any other calculations of payments due under the MSA,

including calculations of the amount of the NPM Adjustments pursuant to the MSA and this Settlement Agreement.

G. The Profit Adjustment.

1. It is the intent of the Signatory Parties that any credits and reductions (including carry-forwards) described above in this section III with respect to 2016 Signatory States, and any adjustments pursuant to subsection V.A.2 with respect to 2016 Signatory States, shall not subject the OPMs in any year to a profit adjustment pursuant to Section B(ii) of MSA Exhibit E. Absent an OPM's election consistent with the requirements of subsection III.G.8, if the application of the full amount of such credit, reduction and/or adjustment would result in such profit adjustment in any year, such credit, reduction and/or adjustment amount applicable in such year to the OPMs shall be reduced so that no profit adjustment is due in such year due to such credit, reduction and/or adjustment; provided, however, that no OPM shall be required to return or repay to any State any amounts previously received by such OPM pursuant to the terms of this Settlement Agreement, whether by credit, reduction or adjustment, for the purpose of avoiding the application of the profit adjustment.

2. If any credit or reduction amounts described in section III cannot be used in a given year due to the application of this subsection III.G, the 12.5% number used to determine the Percentage Reduction applicable in the subsequent year pursuant to subsection III.A.7 (together with the corresponding numbers pursuant to subsections III.D-E, as applicable) shall be increased by adding to it the percentage number reflecting the share of the Projected OPM Settlement Amount represented by such unused credit or reduction amount. (For example, if the unused amount represents 2% of the Projected OPM Settlement Amount, 12.5% in subsection III.A.7 shall be increased to 14.5%.) If no percentage reduction is otherwise

applicable in the subsequent year, then a percentage reduction shall apply by operation of this subsection, determined pursuant to subsections III.A.6-9, except that the 12.5% number referenced in subsection III.A.7 shall be substituted with the percentage number reflecting the share of the Projected OPM Settlement Amount represented by such unused credit or reduction amount.

3. If any adjustments pursuant to subsection V.A.2 cannot be used in a given year due to the application of this subsection III.G, the unused amount shall be converted into a percentage reduction applicable to the next MSA payment due from the OPMs. The percentage applicable to such percentage reduction shall be determined by dividing such unused amount of the adjustment by the next Estimated MSA Payment, and the percentage reduction shall be calculated and applied consistent with the procedures set forth in subsections III.A.6-9.

4. If any credit or reduction described in section III and an adjustment pursuant to subsection V.A.2 cannot both be used in the same year due to the application of this subsection III.G, then the provisions of subsection III.G.3 shall be applied first, and the provisions of subsection III.G.2 shall be applied second.

5. The Signatory Parties shall instruct the Independent Auditor sufficiently in advance of the issuance of Final Calculations for the MSA payments to which such credits, reductions and/or adjustments described in subsection III.G.1, if any, are due to be applied regarding any reduction to those credits, reductions and/or adjustments that is required pursuant to this subsection III.G.

6. If, (i) notwithstanding the provisions of this subsection III.G, the application of any such credits, reductions and/or adjustments described in subsection III.G.1,

or (ii) the application of a percentage reduction by operation of the last sentence of subsection III.G.2, subjects the OPMs in any year to a profit adjustment pursuant to Section B(ii) of MSA Exhibit E, each of the Signatory States hereby agrees that the payments due to it from any OPM pursuant to MSA Sections IX(c)(1) and IX(c)(2) shall be offset by an amount equal to its Allocable Share or IX(c)(2) Allocable Share, as applicable, of such profit adjustment attributable to application of any such credits, reductions and/or adjustments described in subsection III.G.1. The amount of the payments due from any OPM receiving such an offset shall thus be decreased by subtracting the value of such offset from the full amount otherwise due pursuant to MSA subsection IX(j), step Thirteenth.

7. If a credit, reduction or adjustment amount described in subsection III.G.1 and applicable to the payments due from an OPM is reduced in any year by the operation of subsections III.G.1-4, the reduced credit, reduction or adjustment amount shall be allocated among the OPMs as they direct. Any increase in subsequent percentage reduction resulting from the operation of subsections III.G.1-4 shall be allocated among the OPMs in proportion to their respective shares of the corresponding amount by which a credit or reduction was reduced by the operation of subsections III.G.1-6. Nothing in this Settlement Agreement shall affect the allocation of the profit adjustment as provided in Section B(iii) of MSA Exhibit E.

8. If an amount due to an OPM in a given year would be reduced by the operation of the provisions of subsections III.G.1-6, such OPM may at its option elect to receive such amount in full in such year notwithstanding such provisions by agreeing as described below that it will bear the entire cost of the additional profit adjustment pursuant to Section B(ii) of MSA Exhibit E and pursuant to the settlement agreements with the Previously Settled States

that would result from its receipt of the amount that would otherwise be reduced by operation of the provisions of subsection III.G.1-6. Such an agreement shall be made prior to any such election through a binding agreement that provides that such OPM will instruct the Independent Auditor to allocate the entirety of such additional profit adjustment to such OPM and that, if the Independent Auditor does not do so or if for any other reason any other OPM bears a share of such additional profit adjustment, such OPM will indemnify each other such OPM and promptly re-pay it for any share of such additional profit adjustment that it bears. If, prior to the Effective Date, an OPM receives an amount that would have been reduced by the operation of the provisions of subsections III.G.1-6, that OPM shall be deemed to have made such an election and timely provided the binding agreement described in this subsection III.G.8.

9. If an OPM makes the election and timely provides the binding agreement described in subsection III.G.8, then the provisions of subsections III.G.1-6 shall not apply to such OPM's payments in the given year. Instead, in the year following the given year ("Deferred Year"), each of the 2016 Signatory States agrees that the payments due from any OPM pursuant to MSA Sections IX(c)(1) and IX(c)(2) shall be offset by an amount equal to the lesser of the following: (x) the offset amount that would have applied to its payment under subsection III.G.6 had that subsection applied to all credits, reductions or adjustment amounts described in subsection III.G.1 for the given year; or (y) its Allocable Share or IX(c)(2) Allocable Share, as applicable, of the Deferred Year profit adjustment attributable to an amount equal to the credits, reductions or adjustment amounts described in subsection III.G.1 in the given year. For purposes of subsection III.G.9(y) only, the profit adjustment for the Deferred Year shall be calculated pursuant to Section B(ii) of MSA Exhibit E, except that the "operating income for sales of Cigarettes" of the OPMs shall not include any NPM Adjustment-related



settlement credits or reductions to any charges or expenses other than those accrued under the Term Sheet or this Settlement Agreement.

10. This subsection III.G shall not be applicable to any credits, reductions or adjustments with respect to any Signatory State that is not a 2016 Signatory State.

H. The Independent Auditor. The Signatory States and the PMs shall jointly instruct the Independent Auditor and the Escrow Agent to apply all the credits and reductions as set forth in section III and Exhibit F, and allocate them among the PMs and the Signatory States, as provided in this Settlement Agreement, provided that instructions by those Signatory Parties whose MSA payments and receipt of MSA payments are affected by a particular application or allocation shall be sufficient for the Independent Auditor and the Escrow Agent to implement them.

#### IV. THE DISPUTED PAYMENTS ACCOUNT

A. Release of Amounts Attributable to 2003-2012 NPM Adjustments Held in the Disputed Payments Account as of April 15, 2013.

1. Except as provided in Exhibit F, any PMs that withheld from payment any amounts attributable to the 2003-2012 NPM Adjustments shall deposit such withheld amounts into the Disputed Payments Account by April 15, 2013.

2. The PMs and the Signatory States shall jointly instruct the Independent Auditor to determine the amounts held in the Disputed Payments Account (including the accumulated earnings thereon) as of April 15, 2013 that are attributable to the PMs' dispute over the applicability of the 2003-2012 NPM Adjustments to (i) MSA Section IX(c)(1) payments for any year, and (ii) MSA Section IX(c)(2) payments for any year. The Signatory Parties agree that such amounts shall change only due to additional earnings accumulating on such amounts from April 15, 2013 to the time of the release, and shall not change

notwithstanding any subsequent revision to or recalculation of any of the 2003-2012 NPM Adjustments by the Independent Auditor.

3. Following the Independent Auditor's confirmation that it will apply the settlement credits and reductions set forth in section III attributable to a Signatory State, the PMs and such Signatory State shall jointly instruct the Independent Auditor to release from the Disputed Payments Account such Signatory State's Allocable Share of the amount described in subsection IV.A.2(i) and such Signatory State's IX(c)(2) Allocable Share of the amount described in subsection IV.A.2(ii). Nothing in this Settlement Agreement shall require the release from the Disputed Payments Account of the Non-Signatory States' Allocable Shares or IX(c)(2) Allocable Shares, as applicable, of such amounts.

4. The PMs and the Signatory States shall jointly instruct the Independent Auditor to initially retain in the Disputed Payments Account \$10,000,000 of the amounts released pursuant to subsection IV.A.3 to be used to fund certain expenses related to the Data Clearinghouse described in section VI that are payable by the Signatory States. The Signatory States shall provide any necessary instructions regarding the subsequent placement of these funds and any contribution by Signatory States that join this Settlement Agreement after the Effective Date.

5. The PMs and the Signatory States shall jointly instruct the Independent Auditor to allocate the remainder of the amounts released from the Disputed Payments Accounts pursuant to subsection IV.A.3 solely to and among the Signatory States, as directed by them. Such Signatory States may instruct the Independent Auditor to reallocate any such released amounts among them as necessary (i) to allocate a portion of the Data Clearinghouse fund described in subsection IV.A.4 to the Signatory States that joined the settlement between

April 15, 2013 and the Effective Date, and (ii) to reallocate with respect to the 2003 Uncontested Signatory States among the 2016 Signatory States pursuant to subsection IX.J.

6. An individual Signatory State may elect to have its share of the amounts to be released from the Disputed Payments Account pursuant to subsection IV.A.3 released in installments over the period of up to five years following the time the funds would first be released to such State pursuant to subsection IV.A.3. Such State shall inform the Signatory Parties of its selection in a reasonable time in advance of the time the funds would first be released and shall instruct the Independent Auditor accordingly. Such election shall not affect any credits, reductions or other calculations pursuant to this Settlement Agreement.

7. The Signatory Parties agree that the withheld amounts described in subsection IV.A.1 were properly deposited into the Disputed Payments Account.

B. NPM Adjustment Amounts Not in the Disputed Payments Account as of April 15, 2013.

1. NPM Adjustments for 2011-2014.

a. In connection with the MSA payments due on April 15 of each of 2014-2017, on or before the respective Payment Due Date each OPM shall deposit into the Disputed Payments Account the Signatory States' aggregate Allocable Share and the aggregate IX(c)(2) Allocable Share, as applicable, of that OPM's share (as such shares are determined pursuant to MSA Section IX(d)(3)) of the OPMs' Potential Maximum NPM Adjustment for the year preceding the payment year by three years. (For example, on April 15, 2014, the OPMs shall deposit such shares of the 2011 NPM Adjustment.)

b. In connection with the MSA payments due on April 15 of each of 2014-2015, on or before the respective Payment Due Date each SPM shall deposit into the Disputed Payments Account the Signatory States' aggregate Allocable Share and the aggregate

IX(c)(2) Allocable Share, as applicable, of that SPM's respective Potential Maximum NPM Adjustment for the preceding year. (For example, on April 15, 2014, the SPMs shall deposit such shares of the NPM Adjustment for 2013.)

c. Following the Independent Auditor's confirmation that it will apply the settlement credits and reductions set forth in section III, the PMs and the Signatory States shall jointly instruct the Independent Auditor to release such amounts, and to allocate those released amounts solely to and among the Signatory States as they direct.

d. Deposits and releases described in this subsection IV.B.1 shall be based on the Allocable Shares and IX(c)(2) Allocable Shares of the States that are Signatory States at the time of the deposit in question.

2. NPM Adjustments for 2015 and thereafter.

a. In connection with the MSA payments due on April 15, 2016 and thereafter, on or before the respective Payment Due Date each OPM shall deposit into the Disputed Payments Account the Signatory States' aggregate Allocable Share and aggregate IX(c)(2) Allocable Share, as applicable, of its share of the OPMs' Potential Maximum NPM Adjustment for the preceding year. (For example, on or before April 15, 2016, the OPMs shall deposit such shares of the OPMs' Potential Maximum NPM Adjustment for 2015.)

b. Notwithstanding MSA Section IX(d)(3), the OPMs shall jointly determine and instruct the Independent Auditor as to their respective shares of such OPMs' Potential Maximum NPM Adjustments for purposes of the deposits required under subsection IV.B.2(a), and, provided that all OPMs agree to the allocation set forth in such joint instruction and that such OPMs' respective shares of their Potential Maximum NPM Adjustments total 100%, the Signatory States agree that each OPM shall be responsible for depositing only its

share of such Adjustments as so determined and instructed by the OPMs. Such share percentages shall be the same as the OPMs' allocation of the adjustment for the year in question under subsections V.A-C.

c. In connection with the MSA payments due on April 15, 2016 and thereafter, on or before the respective Payment Due Date each SPM shall deposit into the Disputed Payments Account the Signatory States' aggregate Allocable Share and aggregate IX(c)(2) Allocable Share, as applicable, of that SPM's Potential Maximum NPM Adjustment for the preceding year. (For example, on April 15, 2016, the SPMs shall deposit such shares of their respective Potential Maximum NPM Adjustments for 2015.)

d. Each PM and the Signatory States shall jointly instruct the Independent Auditor to release the entire amount deposited by that PM pursuant to subsections IV.B.2.a-c promptly upon deposit, and distribute it as provided in subsection IV.B.2.e.

e. The amount to be released pursuant to subsection IV.B.2.d shall be allocated among the Signatory States pro rata in proportion to their respective Allocable Shares and IX(c)(2) Allocable Shares, as applicable. The amount so allocated to a Signatory State shall be released as follows: (i) the percentage of such allocated amount described in subsection V.C.9 – to such State; (ii) 50% of the portion of such allocated amount that remains after the release pursuant to clause (i) – to such State; and (iii) 50% of the portion of such allocated amount that remains after the release pursuant to clause (i) – to the PM that made the deposit. The amount released pursuant to subsection IV.B.2.e(i) shall be based on an estimate of the reimbursement percentage determined pursuant to subsection VI.I.1. (For example, if a PM makes a deposit of \$200 million pursuant to subsection IV.B.2.a for a year in question, the entire \$200 million will be released. If \$10 million of such released amount is allocated to a

Signatory State, and such State's reimbursement percentage determined pursuant to subsection VII.I.1 for such year equals 40%, that \$10 million will be released as follows: (i) \$4 million will be released to such State pursuant to clause (i) (40% of \$10 million); (ii) another \$3 million will be released to such State pursuant to clause (ii) (50% of the \$6 million that remains after the release pursuant to clause (i)); and (iii) \$3 million will be released to the PM that made the deposit pursuant to clause (iii) (50% of the \$6 million that remains after the release pursuant to clause (i).)

f. Releases to the PMs pursuant to subsection IV.B.2.e(iii) shall be made only with respect to the amounts deposited into the Disputed Payments Account before both party-selected arbitrators are appointed for the first NPM Adjustment arbitration involving the Signatory States and commenced pursuant to subsection VII.C.5.a or subsection VII.C.5.b. The amounts deposited into the Disputed Payments Account pursuant to subsections IV.B.2.a-c after both such arbitrators have been appointed for the first such arbitration shall be released to the Signatory States in their entirety.

g. Deposits and releases described in this subsection IV.B.2 shall be based on the Allocable Shares and IX(c)(2) Allocable Shares of the States that are Signatory States at the time of the deposit in question. The released amounts shall be subject to repayment as provided in subsections V.C.6-7.

h. Notwithstanding subsection VI.H.7 (but subject to disputes pursuant to subsections VI.H.2-7 and VII.B), once the amounts have been released and distributed pursuant to subsection IV.B.2.e(i)-(iii), the allocation of the released amounts shall not be revised or recalculated based on any new, additional or revised documents or data (including any revised calculations issued by the Independent Auditor), and the amounts so

released and distributed shall remain in the respective Signatory Parties' possession, until such time as reimbursement pursuant to subsection V.C.9 becomes due upon conclusion of the NPM Adjustment arbitration for the relevant year. At such time, the reimbursement percentages shall be determined as provided in subsection VI.I.2.

3. Revisions to Prior Adjustment Amounts. If, prior to an MSA Payment Due Date, the Independent Auditor issues Revised Final Calculations for prior years that contain revised NPM Adjustment amounts for such prior years, the amounts the OPMs deposit into the Disputed Payments Account on such Payment Due Date pursuant to subsections IV.B.1.a and IV.B.2.a-b shall be based on a "net" adjustment amount, that is, the amount that reflects both the NPM Adjustment amount for the year that is first subject to deposit into the Disputed Payments Account and revisions to prior years' adjustment amounts (for example, if the prior years' adjustments are revised upwards, the OPMs shall deposit the amount of the increase into the Disputed Payments Account in the current year; if the prior years' adjustments are revised downwards, the OPMs shall deduct the amount of the decrease from the amount they deposit into the Disputed Payments Account in the current year). The amount to be released from the Disputed Payments Account each year pursuant to subsections IV.B.1.c and IV.B.2.d will likewise be based on such "net" amounts. If a portion of such released amount is to be provided to a Signatory State in the year in question pursuant to subsection IV.B.2.e(i), the amount so provided shall be determined based entirely on the estimated reimbursement percentage for that year without regard to the reimbursement percentages used in connection with prior years' releases. Each SPM also may elect to make such deposits and direct releases based on such "net" adjustment amounts on the same terms.

4. No Effect on Deposits for Non-Signatory States. If, in addition to the Signatory States' shares of the Potential Maximum NPM Adjustments addressed in subsections IV.B.1-2, a PM also deposits into the Disputed Payments Account the Non-Signatory States' Allocable Shares or IX(c)(2) Allocable Shares, as applicable, of that PM's share of an NPM Adjustment, such PM and the Signatory States shall jointly instruct the Independent Auditor to release, as provided in subsections IV.B.1-2, only the Signatory States' Allocable Shares or IX(c)(2) Allocable Shares, as applicable, of the amounts described in subsections IV.B.1-2. Nothing in this section IV shall require the release from the Disputed Payments Account of the Non-Signatory States' Allocable Shares or IX(c)(2) Allocable Shares, as applicable, of such PM's share of any NPM Adjustment.

5. No Other Withholdings or Deposits into the Disputed Payments Account. Except as provided in subsections IV.B.1-2, the PMs shall not withhold or deposit into the Disputed Payments Account any amounts attributable to the Signatory States based on a dispute arising out of the adjustments set forth in subsections V.A-C. Provided, however, that, notwithstanding subsections IV.B.1-2:

a. If a PM notices for arbitration a dispute with a Signatory State with respect to an adjustment pursuant to subsections V.A-B, and the party-selected arbitrator for such State (or, if such dispute is noticed with more than one Signatory State, such States as a side) has not been appointed for such arbitration for over one year from the date such notice was first given despite good faith efforts by the PM, the PM may withhold, or deposit into the Disputed Payments Account and instruct the Independent Auditor not to release until such dispute is resolved with finality, the amount at issue in such dispute.



b. If a PM notices for arbitration a dispute with the Signatory States with respect to an adjustment pursuant to subsection V.C at or after the time such arbitration may commence pursuant to subsection VII.C, and the party-selected arbitrator for such States as a side (or, in the case of a merged arbitration pursuant to subsection VII.C.2, for all the participating States as a side) has not been appointed for such arbitration for over one year from the date such notice was first given despite good faith efforts by the PM (and other than as a result of delays due to Non-Signatory States), the PM may withhold, or deposit into the Disputed Payments Account and instruct the Independent Auditor not to release until such dispute is resolved with finality, such Signatory States' Allocable Shares or IX(c)(2) Allocable Shares, as applicable, of the NPM Adjustment for the year in question.

C. Subsequent-Joining Signatory States.

1. Upon joinder by a Subsequent-Joining Signatory State, following the Independent Auditor's confirmation that it will apply the credits and reductions resulting from the additional settlement amounts attributable to such Subsequent-Joining Signatory State as set forth in subsection III.E and Exhibit F, the PMs and such Subsequent-Joining Signatory State shall jointly instruct the Independent Auditor to release from the Disputed Payments Account such Subsequent-Joining Signatory State's Allocable Share of the amount described in subsection IV.A.2(i) and such Subsequent-Joining Signatory State's IX(c)(2) Allocable Share of the amount described in subsection IV.A.2(ii), to the extent such State's shares of such amounts are in the Disputed Payments Account. If any such shares of such amounts are not in the Disputed Payments Account, such Subsequent-Joining Signatory State and the PMs shall agree on how such amounts shall be addressed, subject to the provisions of subsection IV.C.2. For any SPM that has withheld amounts attributable to the NPM Adjustment for 2003 through

2012, unless the SPM and the Subsequent-Joining Signatory State agree otherwise, payment of such amounts for the benefit of the Subsequent-Joining Signatory State shall be determined in the manner described in Exhibit F.

2. The Signatory States shall instruct the Independent Auditor to reallocate the amounts released or otherwise provided to a Subsequent-Joining Signatory State pursuant to subsection IV.C.1 among them as necessary to allocate a portion of the Data Clearinghouse fund described in subsection IV.A.4 to the Subsequent-Joining Signatory State, subject to subsection IV.A.5. The Signatory States shall instruct the Independent Auditor to allocate the remainder of such amounts to such Subsequent-Joining Signatory State. For a Subsequent-Joining Signatory State that becomes a Signatory State in 2017 or later, the Signatory States may instruct the Independent Auditor to allocate to the Data Clearinghouse fund from the amounts to be released or otherwise provided to the Subsequent-Joining Signatory State pursuant to subsection IV.C.1 an amount equal to what that Subsequent-Joining Signatory State's share of the \$10 million Data Clearinghouse fund would have been if such State had been a 2016 Signatory State and allocated a portion of the Data Clearinghouse fund among the pool of 2016 Signatory States, thereby making this an additional deposit into the fund rather than reallocating the contribution among the Signatory States.

3. Unless the PMs and the Subsequent-Joining Signatory State agree otherwise, the PMs shall deposit into the Disputed Payments Account the Subsequent-Joining Signatory State's Allocable Share and IX(c)(2) Allocable Share, as applicable, of the amounts referenced in subsection IV.B, and the PMs and such State shall jointly instruct the Independent Auditor to release such amounts, consistent with the provisions of subsection IV.B (and taking into account the timing of the joinder by such Subsequent-Joining Signatory State).

**V. ADJUSTMENTS FOR SUBSEQUENT YEARS.****A. Adjustments During the Transition Period.**

1. There will be a three-year transition period during which the PMs will receive adjustments to their MSA payments for the benefit of the Signatory States as provided in this subsection V.A.

2. In lieu of the 2013 NPM Adjustment and the 2014 NPM Adjustment as applicable to the Signatory States, the PMs will receive the downward adjustment for the sales year in question calculated pursuant to subsections V.A.3-8 applied to their payments pursuant to MSA Sections IX(c)(1) and IX(c)(2) due on April 15, 2014 and April 15, 2015. Such adjustment shall be applied to such payments on the Payment Due Date of the respective payment and shall not be subject to any conditions or exclusions that may apply to adjustments pursuant to MSA Section IX(d).

3. To calculate the Initial OPMs' aggregate amount of the adjustment under subsection V.A.2 for 2013 and 2014, the Independent Auditor shall first compare the Market Share Loss for 2013 or 2014, as applicable, with the Market Share Loss for 2011. If the Market Share Loss for such year in question is less than or equal to the 2011 Market Share Loss, the Independent Auditor shall calculate the total IX(c)(1) and IX(c)(2) adjustment amounts each equal to 25% of the Initial OPMs' Potential Maximum NPM Adjustment applicable to MSA Section IX(c)(1) and IX(c)(2) payments, respectively. (For example, if the 2013 Market Share Loss is less than the 2011 Market Share Loss, the total IX(c)(1) adjustment amount applicable to the OPMs' payments pursuant to MSA Section IX(c)(1) due on April 15, 2014 shall equal 25% of the OPMs' Potential Maximum 2013 NPM Adjustment applicable to the OPMs' MSA

Section IX(c)(1) payments. Adjustments to Section IX(c)(2) payments shall be treated in the same way.)

4. If the Market Share Loss for 2013 or 2014, as applicable, is more than the 2011 Market Share Loss, the Independent Auditor shall calculate the total IX(c)(1) and IX(c)(2) adjustment amounts by adding together the following amounts.

a. 25% of the amount of the Potential Maximum NPM Adjustment for the year in question the Initial OPMs would be entitled to pursuant to the provisions of the MSA, if the Market Share Loss for such year were equal to the 2011 Market Share Loss.

b. 30% of any part of the Potential Maximum NPM Adjustment for the year in question the Initial OPMs would be entitled to pursuant to the provisions of the MSA, arising from NPM sales volumes in such year of 1 to 100 million Cigarettes above the 2011 Market Share Loss.

c. 40% of any part of the Potential Maximum NPM Adjustment for the year in question the Initial OPMs would be entitled to pursuant to the provisions of the MSA, arising from NPM sales volumes in such year of 100 million to 200 million Cigarettes above the 2011 Market Share Loss.

d. 50% of any part of the Potential Maximum NPM Adjustment for the year in question the Initial OPMs would be entitled to pursuant to the provisions of the MSA, arising from NPM sales volumes in such year of more than 200 million Cigarettes above the 2011 Market Share Loss.

5. The aggregate Initial OPM amounts of the adjustment for a year in question under subsection V.A.2 applicable to MSA Sections IX(c)(1) and IX(c)(2) payments shall be equal to, respectively, (i) the total IX(c)(1) adjustment amount determined pursuant to

subsection V.A.3 or V.A.4, as applicable, multiplied by the aggregate Allocable Share of all Signatory States, and (ii) the total IX(c)(2) adjustment amount determined pursuant to subsection V.A.3 or V.A.4, as applicable, multiplied by the aggregate IX(c)(2) Allocable Share of all Signatory States. Such aggregate Initial OPM amounts shall be allocated among the Initial OPMs as they direct.

6. Such aggregate Initial OPM amounts under subsection V.A.2 shall be allocated solely to and among the Signatory States, in proportion to their Allocable Shares or IX(c)(2) Allocable Shares, as applicable.

7. For each SPM, the amount of the adjustment under subsection V.A.2 for 2013 and 2014 applicable to MSA Section IX(c)(1) and IX(c)(2) payments shall be determined in the same manner as the aggregate amount of the respective OPMs' adjustment, applying the percentages determined pursuant to subsection V.A.3 or V.A.4, as applicable, to such SPM's Potential Maximum NPM Adjustment, and multiplying the resulting amounts by the aggregate Allocable Share of all Signatory States, in case of the adjustment applicable to MSA Section IX(c)(1) payments, and by the aggregate IX(c)(2) Allocable Share of all Signatory States, in case of the adjustment applicable to MSA Section IX(c)(2) payments. Each SPM's adjustment shall be allocated solely to and among the Signatory States, in proportion to their Allocable Shares or IX(c)(2) Allocable Shares, as applicable.

8. The amount of the adjustment pursuant to subsection V.A.2 for 2013 and 2014 shall be determined based on the Market Share Loss for 2013 or 2014, as applicable, the Potential Maximum NPM Adjustment for 2013 or 2014, as applicable, and the Market Share Loss for 2011, all as determined by the Independent Auditor in the latest Final Calculation or Revised Final Calculation preceding the Payment Due Date of the MSA payment to which the

adjustment in question applies. The Signatory Parties agree that such adjustments for 2013 and 2014 shall not change after the Payment Due Date of the payment to which the adjustment in question is applied notwithstanding any subsequent revision or recalculation by the Independent Auditor of the amounts described in the preceding sentence.

9. In lieu of the calculation set out in subsections V.A.3 through V.A.8, the Signatory States and the PMs may provide the Independent Auditor with joint instructions specifying the dollar amounts to be used for the adjustment under subsection V.A.2.

10. In lieu of the 2015 NPM Adjustment as applicable to the Signatory States, the PMs will receive the following adjustments applied to their payments pursuant to MSA Section IX(c)(1) due on April 16, 2018:

a. The OPMs will receive an aggregate adjustment applicable to MSA Section IX(c)(1) payments, subject to subsection IX.L, equal to the sum of (i) 25% of the OPMs' Potential Maximum 2015 NPM Adjustment applicable to MSA Section IX(c)(1) multiplied by the aggregate Allocable Share of all Signatory States, and (ii) 25% of the OPMs' Potential Maximum 2015 NPM Adjustment applicable to MSA Section IX(c)(2) multiplied by the aggregate IX(c)(2) Allocable Share of all Signatory States. Such aggregate OPM amount shall be allocated among the OPMs as they direct, and shall be allocated solely to and among the Signatory States, in proportion to their Allocable Shares and IX(c)(2) Allocable Shares, as applicable.

b. Each SPM will receive an adjustment applicable to MSA Section IX(c)(1) payments, subject to subsection IX.L, equal to the sum of (i) 25% of that SPM's Potential Maximum 2015 NPM Adjustment applicable to MSA Section IX(c)(1) multiplied by the aggregate Allocable Share of all Signatory States, and (ii) 25% of that SPM's Potential

Maximum 2015 NPM Adjustment applicable to MSA Section IX(c)(2) multiplied by the aggregate IX(c)(2) Allocable Share of all Signatory States. Each SPM's adjustment shall be allocated solely to and among the Signatory States, in proportion to their Allocable Shares and IX(c)(2) Allocable Shares, as applicable.

c. The amounts of the adjustments pursuant to this subsection V.A.10 shall be determined based on the Market Share Loss for 2015 and the Potential Maximum NPM Adjustment for 2015 as determined by the Independent Auditor in the latest Final Calculation or Revised Final Calculation preceding the April 17, 2017 Payment Due Date. The Signatory Parties agree that the amounts of such adjustments shall not change after such Payment Due Date notwithstanding any subsequent revision or recalculation by the Independent Auditor of the amounts described in the preceding sentence.

d. The Signatory States and the PMs may provide the Independent Auditor with joint instructions specifying the dollar amounts to be used for the adjustments under this subsection V.A.10.

e. Each PM shall receive its amount under this subsection V.A.10 by repaying (without interest) all amounts previously released to that PM attributable to the 2015 NPM Adjustment as referenced in subsection IV.B.2 and then receiving its amount under this subsection V.A.10 in full (without interest); provided, however, that each PM's receipt of its amount under this subsection V.A.10 is conditioned on its prior release from the DPA to the Signatory States of all amounts, if any, that PM both deposited into the DPA and has retained in the DPA attributable to the Signatory States' Allocable Share or IX(c)(2) Allocable Share of the 2015 NPM Adjustment (and the earnings on those amounts).

f. The PMs shall also receive the adjustment pursuant to subsection V.B, determined and applied as provided in that subsection.

B. SET-Paid NPM Sales.

1. Adjustment for the OPMs. Starting with the payments for sales year 2015, due on April 15, 2016, and each year thereafter, the OPMs' payments pursuant to MSA Section IX(c)(1) made for the benefit of each Signatory State shall be subject to a downward dollar adjustment as provided in this subsection V.B. (The timing of the application of the adjustment is addressed in subsection V.B.9.) The aggregate OPM amount of such adjustment for a given sales year shall equal the sum of the adjustments applicable to each Signatory State for such year, as such amounts are determined pursuant to this subsection V.B. Such aggregate OPM amount shall be allocated among the OPMs as they direct.

2. Amount of the OPMs' Adjustment Applicable to a Signatory State. The amount of such adjustment applicable to the OPMs' aggregate MSA payment for a given sales year allocated to a Signatory State shall equal the product of (i) three times the escrow amount per Cigarette, as such escrow amount is set forth in subsection (b)(1) of the Requirements Section of the Model Statute (attached as Exhibit T to the MSA) for that sales year (as such amount is adjusted for inflation pursuant to the Model Statute), and (ii) the total number of Non-Compliant NPM Cigarettes sold in the Signatory State in question during such year. (For example, to calculate the adjustment applicable to the OPMs' payment for 2015 sales year, due on April 15, 2016, allocated to a Signatory State, the total number of Non-Compliant NPM Cigarettes sold in that Signatory State during 2015 shall be multiplied by the dollar amount equal to three times the escrow amount due per Cigarette sold in 2015.)



3. Non-Compliant NPM Cigarettes. Except as provided in subsection V.B.5, Non-Compliant NPM Cigarettes sold in a Signatory State during a year in question shall mean NPM Cigarettes on which such State's SET was paid during such calendar year, but on which escrow was either (i) not deposited at the rate equal to or greater than the escrow amount per Cigarette, as set forth in subsection (b)(1) of the Requirements Section of the Model Statute (MSA Exhibit T) for the sales year in question (as such amount is adjusted for inflation pursuant to the Model Statute), or (ii) released or refunded other than (x) pursuant to the terms of the State's Escrow Statute (as amended by Allocable Share Repeal) or (y) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State. (The phrase "Non-Compliant NPM Cigarettes sold in a Signatory State" as used in this Settlement Agreement governs the application of the adjustment provided for in this subsection V.B, and is not intended to indicate whether or not the Cigarettes in question or the manufacturer of such Cigarettes were in compliance with such State's escrow requirements at the time of sale.)

4. Determining the Number of Non-Compliant NPM Cigarettes Sold in a State. A determination of the total number of Non-Compliant NPM Cigarettes sold in a Signatory State during a particular year shall be made as provided in subsection VI.I.4.

5. Exclusion of Certain Cigarettes from the Number of Non-Compliant NPM Cigarettes. Notwithstanding the foregoing, Non-Compliant NPM Cigarettes sold in a Signatory State shall not include Cigarettes described in this subsection V.B.5 (the "excluded Cigarettes"). If any such excluded Cigarettes have been included in the total number of Non-Compliant NPM Cigarettes sold in a State in question during a sales year determined pursuant

to the preceding subsection V.B.4, the number of such excluded Cigarettes shall be subtracted from such total number of Non-Compliant NPM Cigarettes.

a. Cigarettes on which the escrow was deposited at the rate set forth in subsection V.B.3(i) by either (i) any entity (other than the NPM) liable for such deposits under the laws of the Signatory State in question or (ii) a person or entity in the distribution chain on behalf of such NPM or other entity liable for such deposits under such laws, and in either case such State did not release or refund any part of the deposit with respect to the Cigarettes in question other than (x) pursuant to the terms of the State's Escrow Statute (as amended by Allocable Share Repeal) or (y) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State.

b. Cigarettes on which the Signatory State in question recovered at the escrow rate set forth in subsection V.B.3(i) on an escrow bond posted pursuant to the laws of that State, and such State did not release or refund any part of the deposit so recovered with respect to the Cigarettes in question other than (i) pursuant to the terms of the State's Escrow Statute (as amended by Allocable Share Repeal) or (ii) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State.

c. Cigarettes as to which the Signatory State in question is barred from requiring escrow deposits from all entities liable under its individual State law for such payments, and also is barred from recovery on any remaining escrow bond, by an automatic stay or subsequent order in a federal bankruptcy proceeding or by order of a court of competent jurisdiction that requiring escrow deposits is barred by federal or State constitutional law (other than State constitutional provisions added or amended after December 14, 2012 or state constitutional law as it may impact or be applied in relation to sovereign immunity or other

Native American issues) or federal statutory or common law. Provided, however, that the preceding sentence applies only if (i) the State in question uses reasonable efforts to oppose and appeal such stay or order, and (ii) within 30 days prior to the time of sale the NPM and brand at issue were both properly on the State's directory of approved manufacturers and Cigarette brands, either in accordance with the terms of the State's Complementary Legislation or pursuant to the order of a court of competent jurisdiction barring removal of the NPM or brand from that directory. This subsection V.B.5.c only applies to a Signatory State that has requirements in effect (1) that the NPM at issue post a bond (or adjust the amount of a previously posted bond) at least 10 days in advance of each calendar quarter as a condition to being listed in the state directory of manufacturers and brands permitted to be sold in the States for that quarter in at least the amount equal to the greater of (x) the greatest required escrow amount due from the NPM or its predecessor for any of the 12 preceding calendar quarters and (y) \$25,000, and (2) that importers are jointly and severally liable for escrow deposits due from an NPM with respect to NPM Cigarettes that they import. Notwithstanding the preceding sentence, this subsection V.B.5.c shall apply to a Signatory State whose bonding requirement described in the preceding sentence has been stayed or held invalid by a court of competent jurisdiction on the basis that such requirement is barred by federal or State constitutional law (other than State constitutional provisions added or amended after December 14, 2012, or State constitutional law as it may impact or be applied in relation to sovereign immunity or other Native American issues) or federal statutory or common law, provided the State used reasonable efforts to oppose and appeal such stay or order. If the bonding requirement of such State is stayed or invalidated as provided in the preceding sentence only with respect to some

Cigarettes, this subsection V.B.5.c shall apply only to those Cigarettes as to which the State is thereby barred from requiring, or recovering on, an escrow bond.

d. NPM Cigarettes on which such State's SET was paid and on which escrow was timely deposited at the rate equal to or greater than the rate set forth in subsection V.B.3(i), but as to which the State releases a portion of such escrow amount not to exceed 50% of the escrow deposited on the particular NPM Cigarettes pursuant to a tribal compact to a federally recognized tribe (or tribe that was recognized by that State as of January 1, 2012) with a reservation within the geographic boundaries of that State, provided each of the following conditions are satisfied: (i) the release occurs no earlier than one year after the deposit is made; (ii) the Cigarettes on which the escrow is released were sold in retail transactions to consumers on that tribe's reservation; (iii) the money released is provided to the tribe itself and used solely for public safety on such tribe's reservation and/or social services for tribal members (e.g., health care, education) and not for any function that could directly or indirectly promote or reduce the costs of Cigarette production, marketing or sales; (iv) the money released is not used in any way for the benefit of an NPM or to facilitate NPM sales; (v) the compact makes the requirements of subsection IX.D applicable to the tribe, and the tribe is in conformity with such requirements; and (vi) the State has amended its Escrow Statute to remove the NPM's right to reversion and interest as to (but only as to) the escrow to be released in conformity with the above requirements. Provided, however, that (x) a Signatory State may not release more than \$1 million in escrow as described in this subsection V.B.5.d in any year to all tribes collectively, and (y) in the event a court strikes down a Signatory State's removal of the NPM's right to reversion and interest described in subsection V.B.5.d(vi), such State may pay to tribes the amounts authorized under the remainder of this subsection out of its

general fund (subject to all other conditions and limits set forth above). A State that releases escrow as described in this subsection V.B.5.d has the responsibility of ensuring that conditions set forth in clauses d(i)-(vi) of this subsection and the terms of the preceding sentence are met. This subsection V.B.5.d applies only with respect to Cigarettes of those NPMs that existed in the U.S. market as of June 1, 2012 and does not apply with respect to Cigarettes of those NPMs that entered the U.S. market after that date. In addition, this subsection V.B.5.d does not apply where any NPM involved in the production, distribution or sale of the Cigarettes at issue is one (or an affiliate or successor of one) affiliated with the tribe (or any members of the tribe) to which the escrow would be released. For purposes of this subsection V.B.5.d, a tribe with reservation land located in more than one State is considered to have a reservation in, and to be eligible for release of escrow from, only the State in which the largest portion of its reservation land is located.

6. Adjustments for the SPMs. Each SPM shall receive a downward dollar adjustment to its MSA Section IX(c)(1) payment due for the benefit of a Signatory State if and when the OPMs' aggregate payment for the benefit of such State is adjusted pursuant to this subsection V.B. The amount of such SPM adjustment shall constitute the same share of the SPM's MSA Section IX(c)(1) payment due for the sales year in question for the benefit of such State (prior to any credits, reductions and adjustments pursuant to this Settlement Agreement) as the OPMs' aggregate adjustment applicable to such State pursuant to this subsection V.B constitutes of the OPMs' aggregate MSA Section IX(c)(1) payment due for the same sales year in question for the benefit of that State (prior to any credits, reductions and adjustments pursuant to this Settlement Agreement).

7. Subsequent Escrow Deposits and Releases.

a. If a stay or order, as referenced in subsection V.B.5.c, is reversed or otherwise becomes no longer operative and the full escrow amount is not then deposited on the Cigarettes at issue, any adjustment on those Cigarettes, determined in conformity with this subsection V.B, shall be applied to the PMs' next MSA Section IX(c)(1) payment made for the benefit of the Signatory State in question, unless a further stay or order is entered.

b. In the event that after the documents for the sales year in question are provided to the Data Clearinghouse as set forth in section VI, (i) additional or amended reports of SET-paid NPM Cigarette sales are provided to a Signatory State pursuant to the laws and/or regulations of the State in question or the State determines that there were different volumes of such sales based on evidence that the State is not prohibited from using for Escrow Statute enforcement purposes, (ii) additional escrow is deposited, or is released other than (x) pursuant to the provisions of the State's Escrow Statute (as amended by Allocable Share Repeal), (y) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State, or (z) in conformity with subsection V.B.5.d, or (iii) there has been an initial or additional recovery by the State on a bond posted pursuant to the laws of that State (unless the Cigarettes in question were excluded pursuant to subsection V.B.5.c), the adjustment for such sales year shall be revised accordingly and the revised instructions provided to the Independent Auditor.

c. In the event that the revision to prior calculations described in the preceding subsection takes place after the adjustment specified in this subsection V.B for a sales year in question is applied to a payment for the benefit of a Signatory State, the resulting underpayment or overpayment to such Signatory State by each PM shall be used (with interest

at Prime Rate) to increase or decrease, as the case may be, the next MSA payment for the benefit of such Signatory State from each such PM by the amount of such PM's underpayment or overpayment.

d. Notwithstanding the foregoing, no revisions to the adjustment pursuant to subsection V.B shall be made more than five years after the Payment Due Date of the MSA payment to which the adjustment in question applies (that is, the payment following the sales year in which the NPM sales at issue were made, as stated in subsection V.B.1, not the Payment Due Date for the next available MSA payment to which an adjustment can be applied, as stated in subsection V.B.9), except that such revisions shall be made at any time to the extent that (i) the revision is attributable to releases of escrow other than (x) pursuant to the provisions of the State's Escrow Statute (as amended by Allocable Share Repeal), (y) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State, or (z) in conformity with subsection V.B.5.d, (ii) the revision is attributable to an escrow deposit made in the sixth year after the Payment Due Date of the MSA payment to which the adjustment in question applies and such deposit is with respect to NPM sales first identified during the fifth year after such Payment Due Date (provided the State in question provides to the Data Clearinghouse documents evidencing such deposit no later than 30 days following the end of such sixth year), (iii) the revision is attributable to an escrow deposit that results from litigation, bankruptcy, or contested proceeding in which the State in question was a fully participating party if such proceeding was commenced within three years after the Payment Due Date of the MSA payment to which the adjustment in question applies or two years after the determination of revised volumes of sales for which the deposit was made, whichever is later, or (iv) the revision is against a Signatory Party's interest and is based on

information the Signatory Party possessed and was required to provide to the Data Clearinghouse pursuant to section VI but failed to do so. Provided, however, that no revisions to the number of NPM Cigarettes on which a Signatory State's SET was paid in a given year, as such number is used in calculating the adjustment pursuant to subsection V.B and the reimbursement pursuant to subsection V.C.9 applicable to such State for such year, shall be made after the commencement of discovery in an NPM Adjustment arbitration for such State for such year pursuant to subsection VII.C.

8. Safe Harbor.

a. The PMs' MSA Section IX(c)(1) payment for a given sales year for the benefit of a Signatory State shall not be subject to the adjustment under this subsection V.B if the State demonstrates (i) that the total number of Non-Compliant NPM Cigarettes sold in that State during such sales year did not exceed 4% of all NPM Cigarettes on which such State's SET was paid during such year, or (ii) that the total number of Non-Compliant NPM Cigarettes sold in such State during such sales year did not exceed 2 million Cigarettes. For purposes of this subsection V.B.8, the total number of Non-Compliant NPM Cigarettes sold in a State shall be determined pursuant to the provisions of subsections V.B.3-7 other than the exclusion set forth in subsection V.B.5.c. Such determination shall take into account any revisions to the calculation of Non-Compliant NPM Cigarettes made pursuant to subsection V.B.7, including the time frame limitations in subsection V.B.7.d.

b. If a Signatory State does not qualify for an exemption from the application of the adjustment pursuant to the preceding subsection V.B.8.a, the amount of the adjustment applicable to such State shall be determined based on the total number of Non-



Compliant NPM Cigarettes sold in that State (determined pursuant to this subsection V.B), that is, without subtracting either 4% or 2 million Cigarettes from such total number.

9. Timing of the Adjustment. Because some or all of the escrow deposits are due at the same time as the MSA payments for the same sales year, the number of Non-Compliant NPM Cigarettes sold in a State during a sales year cannot be determined by the Payment Due Date of the MSA payment for that sales year. Accordingly, each adjustment pursuant to this subsection V.B shall be applied to reduce the next available MSA payment due from the PMs for the benefit of the Signatory States. (For example, the adjustment with respect to the Non-Compliant NPM Cigarettes sold in 2019 and applicable to the MSA payment for sales year 2019, due on April 15, 2020, shall be applied to reduce the MSA payment due on April 15, 2021.) Provided, however, that the adjustments with respect to the Non-Compliant NPM Cigarettes sold in 2015 and 2016 shall be applied to the MSA payment due on April 15, 2019, and the adjustments with respect to the Non-Compliant NPM Cigarettes sold in 2017 and 2018 shall be applied to the MSA payments due on April 15, 2020.

C. NPM Adjustment Following the Transition Period.

1. In addition to any adjustments applicable under subsection V.B, the Signatory States shall be subject to a potential NPM Adjustment for 2016 and all subsequent sales years under MSA Section IX(d) as provided in this Settlement Agreement.

2. The calculation and applicability of the NPM Adjustment for each year shall be as under MSA Sections IX(d)(1) and (4), except that the significant factor condition to the applicability of the NPM Adjustment under MSA Section IX(d)(1)(C) shall be deemed satisfied as to the Signatory States for each year.

3. The NPM Adjustment for each year shall be allocated, and reallocated, as under MSA Section IX(d)(2).

4. Notwithstanding MSA Section IX(d)(3), NPM Adjustment amounts for the OPMs that are allocated to any Signatory States shall be allocated among the OPMs as they direct. NPM Adjustment amounts for the SPMs shall continue to be calculated and allocated among the SPMs on an SPM-specific basis as under MSA Section IX(d)(4).

5. The following provisions shall apply to any determination of whether a Signatory State diligently enforced the provisions of its Qualifying Statute to qualify for an exemption from the application of the NPM Adjustment.

a. The diligent enforcement standard applies to all NPM Cigarettes on which federal excise tax was paid that the Signatory State reasonably could have known about and that such State has the authority under federal law to tax or to subject to the escrow requirement, including (i) all such sales made via the Internet, (ii) all such tribal sales or sales on tribal lands, and (iii) all such sales that may otherwise constitute contraband. The foregoing states the scope of the diligent enforcement standard applicable to a Signatory State regardless of whether the State's Escrow Statute imposes a broader or narrower escrow requirement.

b. Notwithstanding subsection V.C.5.a, no determination that a Signatory State failed to diligently enforce an Escrow Statute may be based on the State's failure to collect escrow on NPM Cigarettes that federal law prohibits the State from subjecting to the escrow requirement, regardless of whether the State has authority under federal law to tax such Cigarettes, provided the State used reasonable efforts (i) to oppose any claims of such prohibition and (ii) to appeal any ruling finding that such prohibition exists.

c. The following are exempt from the diligent enforcement standard: (i) NPM Cigarettes sold on a federal installation in a transaction that is exempt from state taxation under federal law, and (ii) NPM Cigarettes sold on a Native American tribe's reservation (which shall include Indian Country as defined by federal law) by an entity more than 50% of which is owned, and which is operated, by that tribe or member of that tribe to a consumer who is an adult member of that tribe in a transaction that is exempt from state taxation under federal law.

d. Factors relevant to the diligent enforcement determination for a Signatory State shall include, but shall not be limited to: (i) whether the number of NPM Cigarettes on which SET was paid in such State in the year in question was reduced by virtue of a State policy or agreement not to require or collect SET of the State where due or not to enforce an SET stamping requirement of the State, or an indifference of the State to such SET collection or to enforcement of such SET stamping requirement, unless escrow was deposited on such SET-unpaid Cigarettes; and (ii) whether the actual number of NPM Cigarettes on which SET was paid in such State during that year significantly exceeded the number of such Cigarettes used in calculations pursuant to subsection V.B.4. A determination by an arbitration panel making the finding referenced in subsection V.C.5.d(ii) shall be relevant to the diligent enforcement determination only, and shall not affect the amount of the adjustment applicable to the State under subsection V.B or the reimbursement set forth in subsection V.C.9. Each Signatory State shall also have an option, but is not required, to enter into an additional agreement with the PMs, as set forth in Exhibit K to this Settlement Agreement. The PMs and Oklahoma also agree to the additional terms set forth in the second paragraph of Exhibit L.

e. The Signatory States and the PMs shall continue to discuss in good faith on an ongoing basis whether there are other actions that they can reasonably take to prevent sales of NPM Cigarettes on which SET is not paid.

6. The OPMs shall receive NPM Adjustment amounts allocated to any Signatory States as follows.

a. If the total amount of the NPM Adjustment for a year allocated to the Signatory States is less than or equal to the total amount previously released to the OPMs from the Disputed Payments Account pursuant to subsections IV.B.2.d-e with respect to the NPM Adjustment for that year, the OPMs shall retain a part of such total released amount equal to the total amount of such NPM Adjustment allocated to the Signatory States, with each OPM retaining the proportionate share of the released amount it received. (This subsection V.C.6.a does not apply if no such amount was released to the OPMs by virtue of subsection IV.B.2.f.)

b. If the total amount of the NPM Adjustment for a year allocated to the Signatory States is greater than the total amount previously released to the OPMs from the Disputed Payments Account pursuant to subsections IV.B.2.d-e with respect to the NPM Adjustment for that year, each OPM shall retain the entire released amount it received (if no such amount was released to the OPMs by virtue of subsection IV.B.2.f, the amount retained by each OPM shall be zero). Each OPM shall further receive the excess of that OPM's share of the total amount of the NPM Adjustment allocated to the Signatory States over the amount that OPM retains under the preceding sentence as follows: (i) first, through an offset against the OPM's subsequent MSA payment up to the amount that such OPM previously deposited into the Disputed Payments Account with respect to that NPM Adjustment and that was released to any Signatory State pursuant to subsections IV.B.2.d-e (whether or not the Signatory State that

received such release is allocated any part of that NPM Adjustment); (ii) if there is remaining excess and that OPM withheld funds with respect to that NPM Adjustment (i.e., did not either pay those funds for the benefit of the States or deposit them into the Disputed Payments Account), by that OPM retaining such withheld funds, unless the OPM is entitled to retain such funds as the means of receiving the NPM Adjustment for that year allocated to any Non-Signatory States and provided the OPM is entitled to retain such funds as the means of receiving the NPM Adjustment for that year allocated to any Signatory States; (iii) if there is remaining excess, through release of funds remaining in the Disputed Payments Account, if any, deposited by that OPM into the Disputed Payments Account with respect to that NPM Adjustment (with only the principal amount so deposited and released counting towards such remaining excess), unless such funds are subject to potential release to the OPM as the means of receiving the NPM Adjustment for that year allocated to any Non-Signatory States and provided the OPM is entitled to a release of such funds as the means of receiving the NPM Adjustment for that year allocated to any Signatory States; and (iv) if there is remaining excess above the amounts the OPM receives pursuant to clauses (i)-(iii), through an additional offset against the OPM's MSA payment.

c. Amounts due pursuant to subsection V.C.6.b(i) and (iv) shall be treated as overpayments by the OPM in question under MSA Section XI(i)(2)(B). Provided, however, that with respect to NPM Adjustments for those years for which amounts are released from the Disputed Payments Account to the OPMs pursuant to subsection IV.B.2.e(iii):

- (i) interest shall not be applied to amounts due pursuant to subsection V.C.6.b(i); and
- (ii) interest shall be applied to amounts due to an OPM pursuant to subsection V.C.6.b(iv) only if (x) the OPM used reasonable efforts to obtain release of funds from the Disputed Payments

Account as described in subsection V.C.6.b(iii), and (y) the OPM did not receive the full amount of excess from the Disputed Payments Account as described in subsection V.C.6.b(iii) for reasons other than because the OPM did not deposit the Non-Signatory States' share of the NPM Adjustment in question into the Disputed Payments Account or released such share from the Disputed Payments Account to the Non-Signatory States other than pursuant to the "commitment" referenced in paragraph V.4 of the Award. (The preceding sentence does not apply to NPM Adjustments for years for which no amounts are released from the Disputed Payments Account to the OPMs by virtue of subsection IV.B.2.f.) Amounts due pursuant to subsection V.C.6.b(i) and (iv) shall be allocated solely among those Signatory States that were allocated part of the NPM Adjustment for the year at issue, pro rata in proportion to the amount of that NPM Adjustment allocated to them.

d. The timing of the OPMs' receipt of the NPM Adjustment allocated to any Signatory States shall be as under the MSA, except that Signatory States shall not be required to offset amounts under subsection V.C.6.b in any one calendar year that are attributable to more than one year's NPM Adjustment (this limitation does not apply to any credits or offsets due to the OPMs under other provisions of this Settlement Agreement). Any amounts due pursuant to subsection V.C.6.b that cannot be offset in a calendar year due to the preceding sentence shall carry forward (without interest) and be provided pursuant to MSA Section XI(i)(2)(B) as soon as is consistent with this subsection V.C.6.d. Any subsequent revisions to the NPM Adjustment amount allocated to a Signatory State shall be treated consistently with the provisions of subsection V.C.6.

e. Beginning with the 2022 NPM Adjustment, the OPMs shall not receive any part of the NPM Adjustment allocated to any Signatory State for any year for

which the aggregate Market Share of all the Participating Manufacturers, as determined by the Independent Auditor using the 0.0325 RYO conversion factor, is equal to, or exceeds, 97%.

The amount of the NPM Adjustment applicable to the Signatory States shall not be affected by the preceding sentence for any year for which the aggregate Market Share of all the Participating Manufacturers is less than 97%.

f. This subsection V.C.6 provides for the manner in which the OPMs shall receive NPM Adjustment amounts allocated to a Signatory State for a particular year, and it is not intended to, and shall not, result in the OPMs' receiving a total principal amount that is different from the principal amount of the NPM Adjustment for that year allocated to that State. Such principal amounts shall be increased by interest and/or DPA earnings as provided in this subsection V.C.6 and the MSA.

7. If one or more of the Signatory States is exempt from the NPM Adjustment for a year in question, those States shall receive their respective amounts previously released to the OPMs from the Disputed Payments Account pursuant to subsection IV.B.2.e(iii) with respect to the NPM Adjustment for that year in the following manner.

a. If all the Signatory States are exempt from the NPM Adjustment for that year, each OPM shall return the full released amount it received. If, pursuant to subsection V.C.6.a, the OPMs are to retain some, but not all, of such previously released amounts, each OPM shall return the excess of the released amount it received over the amount it is to retain.

b. If, pursuant to subsection V.C.6.b, the OPMs are to retain all such previously released amounts, the OPMs shall not be required to return any part of such amounts.

c. Amounts due under subsections V.C.7.a shall be treated as underpayments by the OPM in question under MSA Section XI(i)(1)(B), except that no interest shall be applied with respect to such amounts. Such amounts shall be allocated among the Signatory States that are exempt from the NPM Adjustment for the year in question, pro rata in proportion to their Allocable Shares and IX(c)(2) Allocable Shares, as applicable.

d. Notwithstanding subsection V.C.7.a, the OPMs shall not be required to return previously released amounts if doing that would reduce their recovery of the NPM Adjustment allocated to any Non-Signatory States.

e. If a Signatory State that is exempt from the NPM Adjustment for a year in question does not receive from the OPMs the full portion of the amount allocated to it pursuant to subsection IV.B.2.e with respect to the NPM Adjustment for that year that was previously released to the OPMs from the Disputed Payments Account pursuant to subsection IV.B.2.e(iii), including as a result of subsection V.C.7.d, such State shall receive such amount through reallocation of MSA payments among the Settling States as under the MSA.

f. The timing of the Signatory States' receipt of amounts to be returned pursuant to subsection V.C.7.a or reallocated pursuant to subsection V.C.7.e shall be the time under the MSA at which a Settling State that is exempt from the NPM Adjustment is entitled to receive the amounts attributable to that NPM Adjustment that it has not previously received. Provided, however, that the OPMs shall not be required to return amounts under subsection V.C.7.a in any one calendar year that are attributable to more than one year's NPM Adjustment. Any amounts due pursuant to subsection V.C.7.a that cannot be returned in a calendar year due to the preceding sentence shall carry forward (without interest) and be provided pursuant to MSA Section XI(i)(1)(B) as soon as is consistent with this subsection



V.C.7.f. Any subsequent revisions to the NPM Adjustment amount allocated to a Signatory State shall be treated consistently with the provisions of subsection V.C.7.

g. This subsection V.C.7 provides for the manner in which the Signatory States exempt from the NPM Adjustment for a year in question shall receive their respective amounts previously released to the OPMs from the Disputed Payments Account with respect to the NPM Adjustment for that year, and it is not intended to, and shall not, result in any Signatory State receiving an amount that is different from its respective amount previously released to the OPMs with respect to the NPM Adjustment for that year.

8. The SPMs shall receive NPM Adjustment amounts allocated to any Signatory States consistent with the provisions of subsection V.C.6. The Signatory States exempt from the NPM Adjustment for a year in question shall receive their Allocable Share and IX(c)(2) Allocable Share, as applicable, of the amounts previously released to an SPM from the Disputed Payments Account pursuant to subsection IV.B.2.e(iii) with respect to the NPM Adjustment for that year consistent with the provisions of subsection V.C.7.

9. If an NPM Adjustment for 2016 or any subsequent year is allocated to a Signatory State, each PM, promptly upon receiving its share of the NPM Adjustment allocated to such Signatory State as provided in subsection V.C.10, and subject to the provisions of subsection IX.E, shall severally reimburse such Signatory State (in a manner as reasonably directed by that Signatory State) in an amount equal to the percentage set forth below of the amount so received by that PM. The reimbursement percentage shall equal the sum of the following two percentages (which shall be determined pursuant to subsection VI.I.2).

a. The percentage equal to (i) the total number of NPM Cigarettes on which SET was paid in such year in the Settling States, divided by (ii) the total nationwide number of NPM Cigarettes on which federal excise tax was paid in such year.

b. In the case of a Signatory State that has, as of January 1 of such year, approved the PSS Amendment, the percentage equal to (i) the total number of NPM Cigarettes on which an Equity Fee was paid in such year in those Previously Settled States that had in effect an Equity Fee Law for the entirety of such year, divided by (ii) the total nationwide number of NPM Cigarettes on which federal excise tax was paid in such year. The Signatory States that have approved the PSS Amendment as of the Effective Date, and the dates of their respective approvals, are listed in Exhibit M.

10. A PM's obligation to reimburse a Signatory State pursuant to subsection V.C.9 shall not apply until the PM actually receives all of its share of the NPM Adjustment allocated to that Signatory State. For purposes of this subsection:

a. A release from the Disputed Payments Account is actually received when the full amount of such release, including any applicable earnings, is transferred to and received by such PM.

b. An overpayment offset pursuant to subsection V.C.6.c is actually received when the full amount of the offset, including any applicable interest, is applied to reduce an MSA payment due from such PM for the benefit of such Signatory State and the Payment Due Date for such payment has passed.

c. Any amounts retained pursuant to subsections V.C.6.a-b are actually received when the PM's right to retain them is no longer subject to dispute by a Signatory State.

**VI. DATA CLEARINGHOUSE**

A. Determinations and Calculations by Data Clearinghouse. Each year a Data Clearinghouse shall (i) determine the application of and calculate the adjustments pursuant to subsection V.B (including as applied in the transition period pursuant to subsection V.A.10.f), (ii) calculate the estimated NPM Adjustment reimbursement percentages pursuant to subsection IV.B.2.e, (iii) if requested by a Signatory Party, determine whether the conditions for early commencement of arbitration pursuant to subsections VII.C.5.a-b have been satisfied, and (iv) when applicable, calculate the NPM Adjustment reimbursement percentages pursuant to subsection V.C.9. The Data Clearinghouse shall perform all calculations and make all determinations that are necessary in connection with the foregoing. The Data Clearinghouse also shall promptly collect all information necessary to make such calculations and determinations, as provided in this section VI.

B. Identity of the Data Clearinghouse. The Data Clearinghouse shall be a nationally recognized professional services firm with substantial expertise in data collection and analysis. It shall also have or have means to obtain appropriate legal expertise to make determinations, including regarding Non-Compliant NPM Cigarettes described in subsection V.B.5. The Data Clearinghouse shall not be the entity, or an affiliate of the entity, that is serving or has served as the Independent Auditor or the Firm. The Data Clearinghouse shall also not be an entity, or an affiliate of an entity, that tracks, gathers, assembles or handles Cigarette sales data for any Signatory Party if such data are to be submitted to the Data Clearinghouse by such Signatory Party.

C. Selection of the Data Clearinghouse.

1. The Data Clearinghouse shall be jointly selected and retained by the Signatory States (and/or the National Association of Attorneys General) and the PMs.

2. Within 90 days of the Effective Date, the PMs and the Signatory States shall jointly send an agreed upon request for proposal to potential candidate firms meeting the above qualifications, and shall jointly interview those candidate firms that submit acceptable responses to such requests. Within 135 days of the Effective Date, the Signatory States and the PMs shall jointly compile a list of between three and five candidate firms. Within 10 days of compiling such a list, the Signatory States as one side, and the PMs as another side, shall each submit to a neutral party selected by them (the "Neutral") its rankings of its top three candidate firms from that list in order of preference, with one being the most preferred and three being the least preferred. The Neutral shall not reveal the rankings submitted by one side to the other side. The Neutral shall add the rankings for each candidate firm submitted by each side, with the candidates not ranked by either side excluded from consideration. The candidate firm that receives the lowest combined ranking shall be selected as the Data Clearinghouse. If two or more candidates receive the same combined ranking, the candidate that was not the least preferred by either side shall be selected (that is, the candidate ranked two by each side wins over the candidate ranked one by one side and three by another side). If two candidates receive identical rankings, the Neutral shall select one of them at random.

3. The firm selected to serve as the original or successor Data Clearinghouse may be terminated at any time by joint agreement of the two sides but cannot be terminated unilaterally by the PMs or the Signatory States for three years following its selection. Following such three-year period, either the PMs or the Signatory States, as a side,

may unilaterally terminate the Data Clearinghouse upon reasonable cause. Reasonable cause shall include, but is not limited to, three separate reversals of the Data Clearinghouse's determinations or calculations by an arbitration panel pursuant to subsection VII.B. Provided, however, that an arbitration panel's decision shall not qualify as such a reversal if it only adjusts the amount of a subsection V.B adjustment applicable to a Signatory State by less than \$100,000 for reasons other than a reversal of a legal determination made by the Data Clearinghouse with respect to which Cigarettes should be counted as Non-Compliant NPM Cigarettes. The PMs and the Signatory States further agree to require that if the firm serving as the Data Clearinghouse resigns or is terminated for any reason, such firm will continue serving as the Data Clearinghouse until a successor firm is selected or appointed pursuant to this Settlement Agreement.

4. If the firm serving as the Data Clearinghouse resigns or is terminated by the PMs and/or the Signatory States, a successor firm shall be selected as provided in subsection VI.C.2, with the date such resignation or termination is noticed to the Signatory Parties being the Effective Date for purposes of such selection.

5. If for any reason the Signatory Parties are unable to select the original, or a successor, Data Clearinghouse within 165 days of the Effective Date, then, unless the PMs and the Signatory States agree otherwise, a firm satisfying the requirements set forth in subsection VI.B shall be appointed by a former Article III federal judge (who has not served as an arbitrator, and has not been included on a list of third arbitrator candidates prepared by the party-appointed arbitrators, in any MSA-related arbitration) selected by JAMS.

6. The principals of the firm selected or appointed as the Data Clearinghouse who are responsible for performing the calculations and making the

determinations required by this Settlement Agreement shall be acceptable to both the Signatory States and the PMs, provided that such acceptance shall not be unreasonably withheld. The Data Clearinghouse shall be required to provide an advance notice to the Signatory Parties of any anticipated change in such principals.

7. For purposes of this subsection VI.C, for any decision or action that is to be made or taken by the PMs or the Signatory States as a side, (i) a decision or action by the PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% of the aggregate Market Share of all the PMs shall be sufficient and shall bind any remaining PMs, and (ii) a decision or action by the Signatory States with an aggregate Allocable Share equal to at least 87% of the aggregate Allocable Share of all Signatory States shall be sufficient and shall bind any remaining Signatory States.

D. Funding for the Data Clearinghouse. The funding for the Data Clearinghouse shall be paid 50% by the PMs as a side and 50% by the Signatory States as a side. Such amounts shall be provided by, and allocated within, each side as determined and directed by that side. The Signatory States shall replenish the fund described in subsection IV.A.4 by future assessments in a manner consistent with Exhibit N.

E. Documents to Be Provided by the Signatory States.

1. Each year each of the Signatory States shall provide to the Data Clearinghouse: (i) a document sufficient to identify all distributors, wholesalers or other entities licensed or otherwise certified by the State to apply tax stamps to packages of Cigarettes and/or pay the SET on Cigarettes during the preceding calendar year (the “distributors”); (ii) a document sufficient to show the volume of NPM Cigarettes on which the State’s SET was paid during the preceding calendar year sold by each such distributor, broken

down to show sales by NPM, brand family and month (or by quarter for States that do not require monthly reporting); (iii) a document sufficient to show the total annual volume of such Cigarettes sold by each NPM, broken down by distributor, brand family and month (or by quarter for States that do not require monthly reporting), and the aggregate total of all such NPM Cigarette sales for the preceding calendar year; (iv) all escrow certifications submitted by, or on behalf of, NPMs reflecting the escrow deposits made for their Cigarettes sold in the State during such preceding calendar year (and any other documents reflecting such escrow deposits); (v) documentation reflecting all releases of funds from the escrow accounts held for the benefit of such State during such preceding calendar year; and (vi) any documents that directly relate to the Signatory State's claim that certain Cigarettes should be excluded from the number of Non-Compliant NPM Cigarettes sold in that State pursuant to subsection V.B.5.

2. Each Signatory State shall provide to the outside counsel designated by each PM: (i) copies of all documents provided by that Signatory State to the Data Clearinghouse pursuant to subsection VI.E.1; (ii) copies of all distributor-submitted reports or sections thereof (or relevant print-outs from the State's database if distributors submit only electronic reports to the State) that reflect the volumes, manufacturers and brands of all Cigarettes on which the State's SET was paid for the preceding calendar year, but only for those distributors that reported a positive (i.e., non-zero) volume of NPM Cigarettes on which the State's SET was paid during any part of such year; and (iii) copies of any other source materials used by the State to prepare the documents referenced in subsection VI.E.1(ii)-(iii).

3. Each Signatory State may provide to the outside counsel designated by each PM a list of those entities identified pursuant to subsection VI.E.1(i) that did not report to the State the sale of any Cigarettes on which the State's SET was paid during each of the

preceding calendar year and the two years immediately before that, but did report the sale of any other tobacco product on which such SET was paid during the preceding calendar year.

4. Each Signatory State shall also provide to the outside counsel designated by each PM additional documents as follows.

a. For each year for each Signatory State, the PMs may designate up to ten percent of the number of distributors that were required to be identified by the State pursuant to subsection VI.E.1(i), excluding the distributors identified by the State pursuant to subsection VI.E.3, but whose reports were not required to be provided to such counsel pursuant to subsection VI.E.2(ii). For such designated distributors, each Signatory State shall provide the same types of documents as those described in subsection VI.E.2(ii).

b. If the outside counsel for the PMs identifies (i) a discrepancy between the documents provided by a Signatory State to such counsel pursuant to subsection VI.E.4.a and the documents provided by such State to the Data Clearinghouse pursuant to subsection VI.E.1(ii)-(iii) that exceeds 12,000 NPM Cigarettes for a particular year, or (ii) a discrepancy between the documents provided to such counsel pursuant to subsection VI.E.4.a and the data provided to the Data Clearinghouse pursuant to subsection VI.F.1 that exceeds 100,000 Cigarettes for a particular NPM for the year in question, and if either of such discrepancies is confirmed by the Data Clearinghouse, then for each of the next three years the PMs may designate up to fifty percent of the number of the distributors that were required to be identified by the State pursuant to subsection VI.E.1(i), excluding the distributors identified by the State pursuant to subsection VI.E.3, but whose reports were not required to be provided to such counsel pursuant to subsection VI.E.2(ii). For each of those three years, each Signatory



State shall provide to the outside counsel designated by each PM the documents specified in subsection VI.E.2(ii) for such designated distributors for the preceding calendar year.

c. If for any of the three years described in subsection VI.E.4.b the outside counsel for the PMs identifies (i) a discrepancy between the documents provided by a Signatory State to such counsel pursuant to subsection VI.E.4.b and the documents provided by such State to the Data Clearinghouse pursuant to subsection VI.E.1(ii)-(iii) that exceeds 12,000 NPM Cigarettes for a particular year, or (ii) a discrepancy between the documents provided to such counsel pursuant to subsection VI.E.4.b and the data provided to the Data Clearinghouse pursuant to subsection VI.F.1 that exceeds 100,000 Cigarettes for a particular NPM for the year in question, and if either of such discrepancies is confirmed by the Data Clearinghouse, then for each of the next three years such Signatory State shall provide to the outside counsel designated by each PM the documents specified in subsection VI.E.2(ii) for all distributors that were required to be identified by the State pursuant to subsection VI.E.1(i) except those distributors identified by the State pursuant to subsection VI.E.3 for such year.

d. As used in subsections VI.E.4.b-c, a discrepancy “is confirmed by the Data Clearinghouse” if the Data Clearinghouse determines that the applicable document(s) provided by the State pursuant to subsection VI.E.1(ii)-(iii) is (are) inaccurate.

5. Each State that identified distributors pursuant to subsection VI.E.3 shall also provide to the outside counsel designated by each PM additional documents as follows:

a. For each year for each Signatory State, the PMs may designate up to ten percent of the number of distributors that were identified by the State pursuant to subsection VI.E.3. For such designated distributors, each Signatory State shall provide the same types of documents as those described in subsection VI.E.2(ii).

b. If the outside counsel for the PMs identifies (i) a discrepancy between the documents provided by a Signatory State to such counsel pursuant to subsection VI.E.5.a and the documents provided by such State to the Data Clearinghouse pursuant to subsection VI.E.1(ii)-(iii) that exceeds 12,000 NPM Cigarettes for a particular year, or (ii) a discrepancy between the documents provided to such counsel pursuant to subsection VI.E.5.a and the data provided to the Data Clearinghouse pursuant to subsection VI.F.1 that exceeds 100,000 Cigarettes for a particular NPM for the year in question, and if either of such discrepancies is confirmed by the Data Clearinghouse, then for the next three years the PMs may designate up to fifty percent of the number of the distributors that were identified by the State pursuant to subsection VI.E.3. For each of those three years, each Signatory State shall provide to the outside counsel designated by each PM the documents specified in subsection VI.E.2(ii) for such designated distributors for the preceding calendar year.

c. If for any of the three years described in subsection VI.E.5.b the outside counsel for the PMs identifies (i) a discrepancy between the documents provided by a Signatory State to such counsel pursuant to subsection VI.E.5.b and the documents provided by such State to the Data Clearinghouse pursuant to subsection VI.E.1(ii)-(iii) that exceeds 12,000 NPM Cigarettes for a particular year, or (ii) a discrepancy between the documents provided to such counsel pursuant to subsection VI.E.5.b and the data provided to the Data Clearinghouse pursuant to subsection VI.F.1 that exceeds 100,000 Cigarettes for a particular NPM for the year in question, and if either of such discrepancies is confirmed by the Data Clearinghouse, then for each of the next three years such Signatory State shall provide to the outside counsel designated by each PM the documents specified in subsection VI.E.2(ii) for all distributors that were identified by the State pursuant to subsection VI.E.3 for such year.

d. As used in subsections VI.E.5.b-c, a discrepancy “is confirmed by the Data Clearinghouse” if the Data Clearinghouse determines that the applicable document(s) provided by the State pursuant to subsection VI.E.1(ii)-(iii) is (are) inaccurate.

6. Each Signatory State shall have a continuing obligation to provide to the Data Clearinghouse and/or the PMs’ designated counsel any additional or revised documents it becomes aware of (i) with respect to the documents described in subsections VI.E.1(i)-(iv), VI.E.1(vi) and VI.E.2-5, and documents containing information described in subsections V.B.7.a-b, during the respective time periods for revisions of prior calculations, as set forth in subsection V.B.7; and (ii) with respect to the documents described in subsection VI.E.1(v), for 25 years after the escrow amounts in question are deposited.

F. Data to Be Provided by the PMs.

1. The PMs as a side shall select data collected by one or more PMs in the ordinary course of business, if any, that, in their view, are the most accurate and reliable such data regarding sales of NPM Cigarettes by distributors to retailers located in the Signatory States and any Non-Signatory State described in subsection VI.I.1.e (the “database”). Each year the PMs, as a side, shall provide to the Data Clearinghouse such database reflecting sales during the preceding calendar year, broken down by distributor, brand family and month.

2. The PMs shall provide to the counsel in the office of the Attorney General and/or outside counsel, as designated by each Signatory State, (i) a portion of the database provided to the Data Clearinghouse that reflects NPM Cigarette sales to retailers in such Signatory State, and (ii) a portion of the database provided to the Data Clearinghouse that reflects NPM Cigarette sales to retailers located in any Non-Signatory State described in subsection VI.I.1.e. Upon the request by a Signatory State, the PMs also shall provide to that

State's designated counsel any other portion of the database provided to the Data Clearinghouse.

3. The PMs shall have a continuing obligation to provide a revised database, if any, to the Data Clearinghouse, and the portions of such revised database described in subsection VI.F.2 to the Signatory States, as follows: (i) on November 1 of the year following the sales year at issue; (ii) on July 1 and on December 1 of the following year; and (iii) thereafter, during the relevant time period for revisions of prior calculations as set forth in subsection V.B.7, only if the Data Clearinghouse relied on particular NPM sales volume data obtained from such database in making its calculations and the PM(s) become aware of revisions to such particular data in the database that could substantially affect the Data Clearinghouse's calculations.

4. In any arbitration under section VII the PMs may not use data that show NPM Cigarette sales by distributors to retailers located in the Signatory States if such data were not included in the PMs' database disclosure to the Data Clearinghouse pursuant to subsections VI.F.1 and/or VI.F.3 or otherwise disclosed to the Signatory States in connection with the Data Clearinghouse determinations and calculations, unless the PMs establish in such arbitration that such data (i) were not collected by any PM in the ordinary course of business, or (ii) were not known and available to any PM at the time of the PMs' database disclosure under subsections VI.F.1 and/or VI.F.3.

5. Any PM that paid an Equity Fee, or on whose Cigarettes an Equity Fee was otherwise paid, in a Previously Settled State, shall use reasonable efforts to obtain data regarding the number of its Cigarettes on which an Equity Fee was paid and the total amount of such Equity Fee paid on its Cigarettes in each of the Previously Settled States (the "PM Equity

Fee Data”). Each year each such PM shall provide to the Data Clearinghouse its PM Equity Fee Data with respect to such Cigarettes sold in the preceding calendar year. Each such PM shall provide a copy of the PM Equity Fee Data it provided to the Data Clearinghouse to counsel designated by each Signatory State, along with any source materials used by such PM to prepare the PM Equity Fee Data submission to the Data Clearinghouse.

G. Requests for Additional Information.

1. The Data Clearinghouse shall have the right to request from the Signatory Parties additional documents and/or data that are reasonably necessary for the Data Clearinghouse to perform the calculations and determinations required by this Settlement Agreement. Provided however that, except to the extent reasonably necessary to resolve a specific discrepancy or issue, the Data Clearinghouse may not require the Signatory Parties to provide documents or data that do not fall within the categories described in subsections VI.E and VI.F. Copies of documents or data provided to the Data Clearinghouse pursuant to this subsection VI.G shall be provided to the designated counsel for each of the PMs or each of the Signatory States, as applicable.

2. If the Data Clearinghouse discovers, or is notified of and confirms, a discrepancy between the NPM Cigarette sales volumes reflected in the documents provided to the Data Clearinghouse by a Signatory State and (i) the NPM Cigarette sales volumes reflected in the database provided by the PMs or (ii) the NPM Cigarette sales volumes reflected in the documents provided by the Signatory State to the PMs, the Data Clearinghouse shall provide notice of such discrepancy to the Signatory State and the PMs. Instances in which an NPM’s sales volume provided by a Signatory State is higher than that reflected in the database provided by the PMs as a result of a greater number of distributors providing sales reports to

the State than to the PMs shall not be considered a discrepancy. Any notice of discrepancy provided to the Data Clearinghouse, including any such notice of discrepancy described in subsections VI.E.4 and VI.E.5, shall be served on the Signatory State that provided the documents or data at issue and the PMs. In response to a notice of discrepancy, the Signatory State and/or the PMs may provide revised or additional documents or data, and/or written comments, within 20 days of the notice.

H. Data Clearinghouse Schedule. The Data Clearinghouse shall perform all the calculations and make all the determinations it is required to make pursuant to this Settlement Agreement in a given calendar year on the following schedule.

1. All documents and data described in subsections VI.E and VI.F with respect to sales on which SET was paid in the calendar year 2015 shall be provided by the respective Signatory Parties on the schedule set forth in subsection VI.H.6. All documents and data described in subsections VI.E and VI.F with respect to sales on which SET was paid in the calendar year 2016 shall be provided by the Signatory Parties no later than August 1, 2018. All documents and data described in subsections VI.E and VI.F with respect to sales on which SET is paid in calendar years 2017 and 2018 shall be provided by the Signatory Parties no later than August 1, 2019. All documents and data described in subsections VI.E and VI.F with respect to sales on which SET is paid in calendar year 2019 and each year thereafter shall be provided by the respective Signatory Parties no later than August 1 of the year following the year in which the SET was paid.

2. No later than December 1 of each calendar year the Data Clearinghouse shall deliver to the counsel designated by the Signatory States and the PMs the preliminary results of all the calculations and determinations it is required to make in such year pursuant to

section VI. Provided, however, that (i) by December 1, 2018, the Data Clearinghouse shall deliver the preliminary results of such calculations and determinations for 2016, and (ii) by December 1, 2019, the Data Clearinghouse shall deliver the preliminary results of such calculations and determinations for the respective two calendar years for which it is provided documents and data pursuant to subsection VI.H.1. The results of all required calculations and determinations shall include detailed explanations and Excel spreadsheets therefor.

3. Any Signatory State or PM may dispute any aspect of such preliminary calculations or determinations, including the accuracy and completeness of the documents or data provided to the Data Clearinghouse by any Signatory Party, by submitting a written notice to the Data Clearinghouse, with copy to the designated counsel for each Signatory State and each PM. Such notice shall be submitted by January 15 of the following year.

4. The Data Clearinghouse shall issue the final results of its calculations and determinations, including detailed explanations and Excel spreadsheets therefor, no later than February 15 of such following year, and shall deliver such results to the Independent Auditor and to the counsel designated by each Signatory State and each PM.

5. Any Signatory State or PM may dispute any aspect of such final calculations or determinations, including the accuracy and completeness of the documents and data provided to the Data Clearinghouse by any Signatory Party, by submitting a written notice to the Data Clearinghouse, with copy to the Independent Auditor and to the designated counsel for each Signatory State and each PM. Such notice shall be submitted by March 1 of such following year.

6. The schedule described in subsections VI.H.1-5 with respect to sales on which SET was paid in the calendar year 2015 shall be modified as follows: (i) all documents

and data described in subsection VI.E and VI.F with respect to such sales shall be provided by the respective Signatory Parties no later than 60 days after the Data Clearinghouse contract and confidentiality agreement are executed, (ii) the Data Clearinghouse shall deliver to the counsel designated by the Signatory States and the PMs the preliminary results of all calculations and determinations it is required to make pursuant to subsection VI.H.2 no later than 180 days after the Data Clearinghouse contract and confidentiality agreement are executed, (iii) the Signatory Parties may submit the written dispute notices described in subsection VI.H.3 no later than 240 days after the Data Clearinghouse contract and confidentiality agreement are executed, (iv) the Data Clearinghouse shall issue and deliver the final results and explanations described in subsection VI.H.4 no later than 270 days after the Data Clearinghouse contract and confidentiality agreement are executed, and (v) any Signatory State or PM may submit a written notice of dispute described in subsection VI.H.5 no later than 320 days after the Data Clearinghouse contract and confidentiality agreement are executed.

7. During the time periods specifically allowed by subsections V.B.7, VI.E.6 and VI.F.3 for revisions to prior calculations and determinations based on new, additional or revised documents or data, a Signatory Party may request that the Data Clearinghouse issue such revised calculations and determinations. For any such request made prior to August 1 of a calendar year in question, the Data Clearinghouse shall issue the preliminary and final results of such calculations and determinations on the schedule for such year described in subsections VI.H.2 and VI.H.4. For any such request made after August 1 of a calendar year in question, the Data Clearinghouse shall issue the preliminary and final results of such calculations and determinations on the schedule described in subsections VI.H.2 and VI.H.4 for the following calendar year. The calculations described in the preceding two



sentences shall be subject to disputes on the schedule described in subsections VI.H.3 and VI.H.5.

8. A failure to raise a dispute within the time periods specified in subsections VI.H.3, VI.H.5, VI.H.6 and VI.H.7 shall not constitute a waiver of such dispute. A Signatory Party may raise disputes specified in subsections VI.H.3, VI.H.5 and VI.H.6 at any time up to five years after the Payment Due Date of the next MSA payment following the issuance of the final calculations and determinations described in subsections VI.H.4 or VI.H.6. A Signatory Party may raise disputes referenced in subsection VI.H.7 at any time up to three years after the Payment Due Date of the next MSA payment following the issuance of the revised final calculations and determinations described in subsection VI.H.7. Provided, however, that a dispute with respect to the number of NPM Cigarettes on which a Signatory State's SET was paid in a given year, as that number is used in calculations pursuant to subsections V.B and V.C.9, must be raised before the commencement of discovery in an NPM Adjustment arbitration for such Signatory State for such year pursuant to subsection VII.C. A dispute not raised within the time periods set forth in this subsection VI.H.8 shall be deemed waived.

I. Data Clearinghouse Process.

1. The Data Clearinghouse shall calculate the estimated reimbursement percentages for purposes of determining the amounts to be released pursuant to subsection IV.B.2.e(i) as follows.

a. Because, at the time the releases pursuant to subsection IV.B.2 are due, documents and data for the immediately preceding calendar year will not yet be available, the Data Clearinghouse shall calculate the estimated reimbursement percentages

based on documents and data for the previous calendar year. (For example, the estimated reimbursement percentages applicable to the amounts to be deposited and released in April 2020 shall be calculated using documents and data for sales year 2018.) Such estimate shall not be revised other than as provided in subsection IV.B.2.h.

b. The total nationwide number of NPM Cigarettes on which federal excise tax was paid in a year in question shall include Cigarettes on which *arbitrios de cigarillos* were collected by the Puerto Rico taxing authority. The number shall equal (i) the nationwide aggregate NPM market share in that year (calculated as 100% minus the aggregate market share of all Participating Manufacturers in that year) multiplied by (ii) the total market volume in that year, both as determined by the Independent Auditor in the latest available calculations for that year using the 0.0325 RYO conversion factor.

c. The number of NPM Cigarettes on which a Signatory State's SET was paid in a year in question shall be determined based on the documents and data provided by the Signatory Parties pursuant to subsections VI.E-G. Such number shall equal the corresponding number for such State and such year used in calculations pursuant to subsection V.B, as such number is determined by the Data Clearinghouse pursuant to subsection VI.I.4.

d. Except as provided in subsection VI.I.1.e, for all the Non-Signatory States that had the Allocable Share Repeal in full force and effect during the entire calendar year in question, the aggregate number of NPM Cigarettes on which such Non-Signatory States' SET was paid during that year shall equal the product of: (i) the aggregate of all such Non-Signatory States' "State Tax-Paid Cigarette Sales," as such sales are reported for each such Non-Signatory State for such year in Orzechowski & Walker, *The Tax Burden on*

*Tobacco*; (ii) 0.12; and (iii) the nationwide aggregate NPM market share in that year, as determined pursuant to subsection VI.I.1.b(i).

e. For each Non-Signatory State that did not have the Allocable Share Repeal in full force and effect during the entire calendar year in question or during any of the preceding three calendar years, the number of NPM Cigarettes on which such Non-Signatory State's SET was paid during that year shall equal the product of: (i) such Non-Signatory State's "State Tax-Paid Cigarette Sales," as such sales are reported for such Non-Signatory State for such year in Orzechowski & Walker, *The Tax Burden on Tobacco*; and (ii) the market share of NPM Cigarettes in such Non-Signatory State determined from the database provided pursuant to subsection VI.F.

f. The number of NPM Cigarettes on which an Equity Fee was paid in a year in question in a Previously Settled State shall equal: (i) the quotient of (x) the total dollar amount of Equity Fees collected in such year in such Previously Settled State, as publicly reported or provided to the Data Clearinghouse by that State, divided by (y) the per-Cigarette Equity Fee in effect for that year in such Previously Settled State; minus (ii) the aggregate number of PM Cigarettes on which an Equity Fee was paid in that year in that State, as those numbers are provided pursuant to subsection VI.F.5.

g. Prior to the issuance of the final calculations for a year in question pursuant to subsection VI.H.4, a Signatory Party may present evidence to the Data Clearinghouse demonstrating that any of the methods for estimating the number of NPM Cigarettes pursuant to subsections VI.I.1.d-f produces an estimated reimbursement percentage for such year that is incorrect by more than one percentage point. (For example, if estimating the number of NPM Cigarettes pursuant to subsections VI.I.1.d-f produces an estimated

reimbursement percentage of 35%, a Signatory Party may present evidence that the correct reimbursement percentage for such year is more than 36% or less than 34%.) The Data Clearinghouse shall determine whether to rely on such evidence in estimating the reimbursement percentages for such year.

h. If *The Tax Burden on Tobacco* no longer is published or no longer reports the number of Cigarettes on which SET was collected in each State, if the database is no longer maintained or provided by the PMs, if the SPMs do not provide the Equity Fee Data, or if a Previously Settled State neither publicly reports nor provides to the Data Clearinghouse its Equity Fee collection data, unless the Signatory Parties affected by the respective calculations agree otherwise, the Data Clearinghouse shall use its best estimate of such numbers based on publicly available information and the documents and data provided by the Signatory Parties.

2. The Data Clearinghouse shall determine the reimbursement percentages for purposes of calculating the reimbursement amounts pursuant to subsection V.C.9 as follows.

a. The Data Clearinghouse shall determine such reimbursement percentages applicable to an NPM Adjustment for a year in question after the conclusion of an NPM Adjustment arbitration for such year pursuant to subsection VII.C. Such determination shall be made on the schedule set forth in subsection VI.H.

b. The Data Clearinghouse shall determine the total nationwide number of NPM Cigarettes on which federal excise tax was paid in a year in question and the number of NPM Cigarettes on which an Equity Fee was paid in a year in question in the Previously Settled States as provided in subsection VI.I.1.

c. The number of NPM Cigarettes on which a Signatory State's SET was paid in a year in question shall equal the corresponding number for such State and such year used in calculations pursuant to subsection V.B, as such number is finally determined by the Data Clearinghouse pursuant to subsection VI.I.4 or by an arbitration panel pursuant to subsection VII.B.

d. The Data Clearinghouse shall determine the number of NPM Cigarettes on which a Non-Signatory State's SET was paid in a year in question based on information obtained in discovery in such NPM Adjustment arbitration, as such information is provided to the Data Clearinghouse by the Signatory Parties. Provided, however, that if the Signatory Parties do not obtain such information in such discovery because such Non-Signatory State does not participate in such arbitration, or if the Signatory Parties are not able to provide such information to the Data Clearinghouse due to confidentiality or other legal restrictions, then the Data Clearinghouse shall decide on the best method for determining such number for such Non-Signatory State following a consultation with the Signatory Parties.

3. The Data Clearinghouse shall determine the number of NPM Cigarettes sold nationwide in a year in question on which SET was not paid, as referenced in subsection VII.C.5, as follows.

a. Such number shall equal the difference between (i) the total nationwide number of NPM Cigarettes on which federal excise tax was paid in such year (as determined pursuant to subsection VI.I.1.b), and (ii) the sum of (x) the total number of NPM Cigarettes on which SET was paid in such year in the Settling States (as determined pursuant to subsections VI.I.1.c-e and VI.I.1.g) and (y) the total number of NPM Cigarettes on which SET

was paid in such year in the Previously Settled States (as determined pursuant to subsection VI.I.3.b).

b. The number of NPM Cigarettes on which SET was paid in a Previously Settled State in a year in question shall be as publicly reported by such State. If a Previously Settled State does not publicly report such numbers, the number of NPM Cigarettes on which SET was paid in such State in a year in question shall equal the number of NPM Cigarettes on which an Equity Fee was paid in such State in such year, as determined pursuant to subsection VI.I.1.f. If neither of these two methods is available for a Previously Settled State, such number shall be determined as provided in subsection VI.I.1.h.

4. The Data Clearinghouse shall determine the total number of Non-Compliant NPM Cigarettes sold in a Signatory State in a given year, as referenced in subsection V.B.3, as follows.

a. The number of NPM Cigarettes on which a Signatory State's SET was paid in a year in question shall be determined based on documents and data provided by the Signatory Parties pursuant to subsections VI.E-G. In making this determination, the Data Clearinghouse may rely only on documents and data that reflect actual sales of NPM Cigarettes and shall not extrapolate from documents or data to conclude that there were any additional sales of NPM Cigarettes on which a Signatory State's SET was paid in a year in question.

b. For each NPM with sales in a State during the year in question, (i) the gross amount of escrow deposited by that NPM (or other entities or persons specified in subsection V.B.5.a) for that year's sales in that State, as such gross amount is reduced by any release or refund of escrow as to such sales other than (x) pursuant to the terms of the State's

Escrow Statute (as amended by Allocable Share Repeal) or (y) a release to the State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State (as all such amounts are determined based on the documents provided by the Signatory Parties pursuant to subsections VI.E-G) shall be divided by (ii) the applicable escrow rate per Cigarette (as set forth in subsection V.B.3(i)).

c. If the resulting number of Cigarettes is equal to or exceeds the number of such NPM's Cigarettes on which such State's SET was paid during the applicable year (as such number is determined pursuant to subsection VI.I.4.a), none of such NPM's Cigarettes should be considered Non-Compliant NPM Cigarettes.

d. If the resulting number of Cigarettes is less than the number of such NPM's Cigarettes on which such State's SET was paid during the applicable year, the excess of the latter over the former shall be considered Non-Compliant NPM Cigarettes sold by such NPM in such State during the year in question.

e. The total number of Non-Compliant NPM Cigarettes sold in a State in question during a calendar year shall equal the sum of the Non-Compliant NPM Cigarettes sold in such State by each of the NPMs selling in the State.

f. If an NPM owes escrow for sales in a State in more than one year, and escrow for such sales is deposited or otherwise recovered by the State pursuant to a settlement agreement or another arrangement between the State and the NPM, for purposes of this Settlement Agreement such deposit or recovery shall be applied to each of such years for which escrow is due, in proportion to the amount due for each such year. Provided, however, that this subsection does not apply to a settlement or other arrangement that does not involve sales in a State in the year 2015 or thereafter.

g. For purposes of this Settlement Agreement, SET shall be deemed to have been paid in a State on a package of Cigarettes at one of the following two times:

(i) when a stamping agent applies an SET stamp to the package (or, if no stamp is required, pays the SET), or (ii) when a stamping agent sells the package of SET-paid Cigarettes. The time applicable to a State depends upon the rule governing when a stamping agent must report such package to the State that existed in the State at the time the stamping agent sold the package of SET-paid Cigarettes. The current applicable rule for each Signatory State is listed in Exhibit O. A Signatory State may change from the rule listed for it in Exhibit O to the other rule, but only prospectively and only if it notifies the PMs within 60 days after the change. The term “stamping agent” includes any entity that is licensed or otherwise certified to affix SET stamps or collect SET under the applicable State’s law.

J. Failure to Provide Information. The following provisions shall apply if a Signatory State, or the PMs as a side, fails to provide to the Data Clearinghouse information as required by subsections VI.E, VI.F or VI.G (including because of claims of confidentiality or other legal restrictions) and such information was in such State’s, or a PM’s, possession at the time of the failure to provide such information.

1. The Data Clearinghouse shall determine the range of reasonably possible outcomes of calculations that would rely, in whole or in part, on such missing information and include such outcomes in its preliminary and final calculations and determinations. The Data Clearinghouse shall perform the preliminary and final calculations and determinations by assuming the outcome within such range that is the least favorable to the Signatory Party, or the side of the Signatory Party, that failed to provide such information.



2. The Signatory Party, or the side of the Signatory Party, that failed to provide information may dispute the Data Clearinghouse's determination and calculations described in subsection VI.J.1 as part of such Party's, or side's, dispute of preliminary or final calculations and determinations described in subsections VI.H.3 and VI.H.5. In so doing, the Signatory Party, or the side of the Signatory Party, that failed to provide the information may provide such missing information and request that the Data Clearinghouse's determinations reflect such information. The Data Clearinghouse shall consider such missing information only if the Data Clearinghouse determines that the failure to provide such missing information was inadvertent or otherwise excusable.

3. The Signatory Party, or the side of the Signatory Party, that failed to provide information may challenge the Data Clearinghouse's determinations and calculations described in subsections VI.J.1-2 in an arbitration pursuant to subsection VII.B. In such arbitration, such Signatory Party (or side) may then provide the missing information and request that the determinations and calculations reflect such new information, but such information that is provided for the first time in the arbitration shall be considered as evidence in the arbitration only if the arbitration panel determines that the reason for the Signatory Party's failure to provide information during the Data Clearinghouse process is no longer operative at the time such missing information is provided in the arbitration. The missing information that was provided to the Data Clearinghouse pursuant to subsection VI.J.2 but not considered by it pursuant to the last sentence of subsection VI.J.2 shall be considered as evidence in the arbitration only if the arbitration panel determines that the failure to provide such missing information was inadvertent or otherwise excusable.

4. Regardless of the cause of the failure to provide information, the Signatory Party (or side) opposite to the Signatory Party, or to the side of the Signatory Party, that failed to provide information may (i) dispute the determinations and calculations described in subsections VI.J.1-2 as part of its dispute of preliminary or final calculations and determinations described in subsections VI.H.3 and VI.H.5, and (ii) challenge the Data Clearinghouse's determinations and calculations described in subsections VI.J.1-2 in an arbitration pursuant to subsection VII.B.

5. Nothing in this subsection VI.J precludes the Data Clearinghouse, before issuing its preliminary determinations and calculations, from (i) communicating with the Signatory Parties regarding a failure to provide to the Data Clearinghouse information required by subsections VI.E, VI.F or VI.G, or (ii) accepting and considering such information if the Signatory Party, or the side of a Signatory Party, that had failed to provide such information submits such information to the Data Clearinghouse before the Data Clearinghouse issues its preliminary determinations and calculations.

K. Confidentiality Protections.

1. The PMs and the Signatory States shall enter into the confidentiality agreement attached as Exhibit P to this Settlement Agreement. To protect from further disclosure any confidential information provided to the Data Clearinghouse, as a precondition to the obligation to provide documents and data pursuant to subsections VI.E-G, the Signatory Parties shall enter into a confidentiality agreement with the Data Clearinghouse that is fully consistent with the provisions of section VI and Exhibit P.

2. Each Signatory State shall seek authority to provide documents to the Data Clearinghouse and to the PMs' designated counsel as specified in subsections VI.E and

VI.G (if such authority does not already exist), either by obtaining a court order or by enacting legislation recognizing or providing such authority. The PMs shall cooperate in the Signatory States' efforts to do so, and, if requested to do so by a Signatory State, shall join with the State in seeking to obtain such court orders. If a Signatory State's attempt to obtain such authority is unsuccessful, then the State shall undertake a renewed attempt when the Attorney General of such State determines in good faith that such a renewed attempt could be successful. In any event, such State shall also cooperate with, and support reasonable efforts by, the PMs to obtain the appropriate confidentiality protections that would permit disclosure of such documents to the PMs' outside counsel.

3. A Signatory State's obligation to provide documents to the outside counsel for the PMs pursuant to subsections VI.E and VI.G shall be further subject to the following:

a. If a Signatory State believes that, despite the confidentiality agreement entered into pursuant to subsection VI.K.1 and other confidentiality protections that are then in effect with respect thereto, and despite its efforts pursuant to subsection VI.K.2, the State cannot provide such documents to the PMs' outside counsel because doing so would violate the laws of such State, the State shall so notify the PMs and the Data Clearinghouse in writing in advance of the due date for providing such documents. Upon providing such written notice, the State shall not be obligated to provide such documents to the PMs' outside counsel, unless and until the requisite authority for it to do so is obtained pursuant to subsection VI.K.2. In that event, such State shall provide all such documents to the Data Clearinghouse.

b. If a Signatory State cannot provide such documents to the PMs' outside counsel without violating the laws of such State, it shall inform the Data Clearinghouse

whether the laws of such State permit the Data Clearinghouse to provide such documents to the outside counsel for the PMs. If the State in question informs the Data Clearinghouse that the laws of such State permit the Data Clearinghouse to do so, then upon receipt of such documents from the State the Data Clearinghouse shall provide a copy of such documents to the PMs' outside counsel. If the laws of such State do not permit the Data Clearinghouse to provide such documents to the outside counsel for the PMs, the Data Clearinghouse shall review such documents itself, if requested to do so by the PMs. In that event, the Signatory State in question and the PMs shall equally bear the additional cost that results from the Data Clearinghouse's need to review such documents itself.

c. The outside counsel designated by the PMs to receive such documents shall not publicly disclose such documents or the information they contain, shall not share them with the PMs, and shall only use them for the purposes contemplated by this Settlement Agreement and in the manner that preserves the confidential nature of such documents and the information they contain.

4. The PMs' obligation to provide data to the counsel designated by a Signatory State pursuant to subsections VI.F and VI.G shall be further subject to the following:

a. The PMs shall be obligated to provide such data to such designated counsel only if such State notifies the PMs in writing prior to the due date for providing such data that (i) such data will be treated by such counsel as confidential, and (ii) the State has legislation in effect, or a court has issued a protective order, pursuant to which such data will be protected from public records disclosure. Absent such notice, the PMs shall not be obligated to provide such data to such State.

b. The PMs shall cooperate in the Signatory States' reasonable efforts to obtain such court orders or enact statutory amendments to such effect, and, if requested to do so by a Signatory State, shall join with the State in seeking to obtain such court orders.

c. The counsel designated by a Signatory State to receive such data shall not publicly disclose such data or the information they contain, and shall use them only for the purposes contemplated by this Settlement Agreement and in the manner that preserves the confidential nature of such data and the information they contain. Such designated counsel may share such data with the State's outside counsel and with other persons in the Attorney General's office and/or the State's revenue department (or other state agency that enforces the State's tobacco laws) only to the extent such outside counsel and other persons are involved in proceedings before the Data Clearinghouse or an arbitration pursuant to subsection VII.B, and provided such other persons maintain the confidentiality of such data and the information they contain.

d. Notwithstanding the foregoing subsection VI.K.4.c, such designated counsel may inform the appropriate persons in the State's Attorney General's office and/or revenue department (or other state agency that enforces the State's tobacco laws) of particular discrepancies in the NPM Cigarette sales data between those provided by the PMs and those reported to the State by distributors. Such data provided by the PMs shall not otherwise be disclosed or used by the State in any audit, investigation or enforcement proceeding, or otherwise used in a way that would make it subject to disclosure.

e. The PMs shall not maintain in an arbitration under subsection VII.C that a State's failure to obtain such data from the PMs or use such data in the

enforcement of Escrow Statute or Complementary Legislation is evidence of a failure by such State to diligently enforce its Escrow Statute.

5. The provisions in subsections VI.K.3-4 shall not prevent persons who receive such documents or data from sharing them with third-party consultants or experts, but only to the extent such consultants or experts are assisting the State or the PMs by accessing or converting the documents or data into a more useable form or are involved in proceedings before the Data Clearinghouse or an arbitration pursuant to subsection VII.B, and provided such consultants or experts maintain the confidentiality of such documents and data and the information they contain.

6. If, despite its good faith efforts to obtain authority to preserve the confidentiality of data described in subsections VI.F.2-3, a State is unable to provide to the PMs the written notice described in subsection VI.K.4.a, and, as a result of that inability, the PMs do not provide such data to such State, then, in addition to providing the documents described in subsections VI.E.2(ii)-(iii), VI.E.3, VI.E.4, VI.E.5 and VI.E.6 to the PMs (subject to the conditions and limitations described in subsections VI.K.1 and VI.K.3), the Signatory State in question may provide such documents to the Data Clearinghouse and request that the Data Clearinghouse review such documents and the PMs' data and identify any discrepancies among such documents, such data and the documents provided by the State to the Data Clearinghouse pursuant to subsection VI.E.1. In that event, the PMs and the Signatory State in question shall equally share the additional cost that results from such review.

## VII. ARBITRATION

A. Independent Auditor. Any dispute, controversy or claim arising out of or relating to any calculations performed by, or any determinations made by, the Independent

Auditor pursuant to this Settlement Agreement shall be submitted to binding arbitration in accordance with MSA Section XI(c).

B. Data Clearinghouse.

1. Any dispute, controversy or claim arising out of or relating to (i) the accuracy of the information provided to and relied on by the Data Clearinghouse, or (ii) any aspect of the calculations or determinations made by the Data Clearinghouse, shall be submitted to binding arbitration as provided in this subsection VII.B. A Signatory State or a PM may initiate such arbitration by sending a written notice thereof to all the Signatory States and all the PMs. The Signatory Parties shall cooperate in prompt commencement and conduct of such arbitrations, and may agree to pursue mediation in lieu of arbitration. Provided, however, that, subject to subsection VII.B.3, a Signatory State need not participate in such arbitration if none of the disputes, controversies or claims apply to such State.

2. The arbitration panel shall be selected as follows. The PMs participating in the arbitration (collectively as one side, provided that, for purposes of this subsection VII.B.2, agreement by the PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% of the aggregate Market Share of all the PMs shall be sufficient and shall bind any remaining PMs) and the Signatory States with an aggregate Allocable Share equal to at least 87% of the aggregate Allocable Share of all Signatory States participating in the arbitration (collectively as another side) shall each select one neutral arbitrator chosen from JAMS (unless the parties to the arbitration agree to a substitute) within 90 days of the sending of the initial arbitration notice by a Signatory Party under this subsection VII.B. If the 90-day period expires without a side having selected its arbitrator, JAMS (unless the parties to the arbitration agree to a substitute) shall choose the arbitrator for that side.

Within 60 days of the selection of the two arbitrators, those two arbitrators shall choose the third neutral arbitrator, who shall be a retired Article III federal judge. Once selected, the panel will establish a scheduling order either as agreed to by the parties to the arbitration or, if not agreed to, as determined by the panel.

3. If a Signatory Party commences an arbitration about (i) the estimated NPM Adjustment reimbursement percentages pursuant to subsection IV.B.2.e, (ii) the NPM Adjustment reimbursement percentages and reimbursement amounts pursuant to subsection V.C.9, or (iii) the conditions for early commencement of arbitration pursuant to subsections VII.C.5.a-b, the arbitration shall include all disputes that could be raised at the time by any Signatory Party about such matters for the year in question. Any such dispute that is not raised in that arbitration shall be deemed waived. Provided, however, that a Signatory Party's failure to raise a dispute with respect to the estimated NPM Adjustment reimbursement percentages pursuant to subsection IV.B.2.e shall not affect the Signatory Party's right to commence an arbitration about the NPM Adjustment reimbursement percentages and reimbursement amounts pursuant to subsection V.C.9, or affect the position that a Signatory Party may take in such arbitration.

4. If a Signatory Party commences an arbitration about the application of the adjustment pursuant to subsection V.B (including as applied in the transition period pursuant to subsection V.A.10.f) and such arbitration is not limited to issues applicable solely to one Signatory State or one PM, the arbitration shall include all disputes that could be raised at the time by any Signatory Party about the application of the adjustment pursuant to subsection V.B for the year in question, except for any disputes about issues applicable solely



to one Signatory State or one PM. Any such dispute that is not raised in that arbitration (other than disputes falling within the exception described above) shall be deemed waived.

5. For purposes of subsections VII.B.3-4, a dispute could be raised at the time unless it is based on evidence that, with reasonable diligence, could not have been discovered and timely submitted prior to the conclusion of the arbitration at issue for decision by the arbitration panel.

C. Diligent Enforcement.

1. The Signatory States agree that diligent enforcement as to each of them shall be determined for any particular year in a single NPM Adjustment arbitration before a single arbitration panel in accordance with MSA Section XI(c). Such arbitrations are governed by MSA Section XI(c).

2. The Signatory States and the PMs shall cooperate in merging such NPM Adjustment arbitration as to the Signatory States with the NPM Adjustment arbitration under MSA Section XI(c) for the year in question as to the Non-Signatory States.

3. Subsections VII.C.1-2 do not apply to any Settling State as to which the PMs have released their claim to an NPM Adjustment for the year in question (provided that the reference in this sentence to the PMs releasing their claim as to a Settling State does not include determination by the PMs not to contest a State's diligent enforcement claim unless the PMs received consideration from that State in return for such determination). Subject to subsection VII.C.4, the Signatory States agree not to oppose, in such case, any argument that the proper treatment of the NPM Adjustment claim against the remaining Settling States (and thus the NPM Adjustment amount allocable to a non-diligent Settling State) is to reduce the amount of such claim pro rata in proportion to the Allocable Share or IX(c)(2) Allocable Share,

as applicable, of such released Settling State without the need for a determination of whether such released State diligently enforced its Escrow Statute.

4. The obligation of the PMs and the Signatory States whom the PMs have not released from an NPM Adjustment claim for the year in question to cooperate in merging the NPM Adjustment arbitration as to such Signatory States with the NPM Adjustment arbitration as to the Non-Signatory States whom the PMs have not released from an NPM Adjustment claim for the year in question is further subject to the following.

a. The arbitration with respect to such Signatory States' diligent enforcement during calendar year 2016 (and any subsequent year) shall not commence until the commencement of the arbitration with respect to diligent enforcement during calendar year 2016 (or such respective subsequent year) by such Non-Signatory States.

b. If any such Non-Signatory State refuses to participate in such merged arbitration for a year in question, the PMs shall use reasonable efforts to compel that Non-Signatory State to participate in such merged arbitration. If any such Non-Signatory State succeeds in refusing to participate in such merged arbitration for a particular year, the merged arbitration for that year shall proceed with all such Non-Signatory States that do not succeed in refusing to participate in such merged arbitration. If all such Non-Signatory States succeed in refusing to participate in such merged arbitration for a year in question, the PMs shall have the option to proceed separately with an NPM Adjustment arbitration for that year as to such Signatory States, with such separate arbitration commencing at the time the merged arbitration for that year would have commenced pursuant to subsection VII.C.4.a, but for the refusal of such Non-Signatory States to participate in such merged arbitration.

c. Except by agreement of all parties to an arbitration, the arbitration with respect to a Signatory State's diligent enforcement during a particular year shall not commence until the NPM Adjustment arbitrations for every prior year have either concluded or been commenced before an arbitration panel for all the Settling States whom the PMs have not released from an NPM Adjustment claim for the year(s) in question and, as to a Non-Signatory State, that did not succeed in refusing to participate in merged arbitrations for the years for which the PMs have not released it from an NPM Adjustment claim.

d. If an arbitration with respect to a Settling State's diligent enforcement during a particular year is commenced, and in the course of such arbitration the PMs decide not to continue to challenge such State's diligent enforcement for such year, the arbitration for such State for such year shall be considered to have concluded for purposes of subsection VII.C.4.c.

5. Notwithstanding the provisions of subsections VII.C.1-4:

a. The PMs, in their sole discretion, shall have the right to commence the 2016 (and subsequent) NPM Adjustment arbitrations as to the Signatory States prior to the time set forth in subsection VII.C.4 if the number of NPM Cigarettes sold nationwide on which SET was not paid exceeded 9 billion Cigarettes in each of any two years (whether or not consecutive). (After the first such year, the PMs and the Signatory States shall discuss measures that could be taken to avoid such sales.) Any early commencement of arbitration under this subsection VII.C.5.a requires the approval by the PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% of the aggregate Market Share of all the PMs.

b. The Signatory States, in their sole discretion, shall have the right to commence the 2016 (and subsequent) NPM Adjustment arbitrations as to the PMs prior to the time set forth in subsection VII.C.4 if the number of NPM Cigarettes sold nationwide on which SET was not paid was less than 2 billion Cigarettes in each of any two years (whether or not consecutive). Any early commencement of arbitration under this subsection VII.C.5.b requires the unanimous approval of all the Signatory States.

D. This Settlement Agreement. Any dispute arising out of or relating to this Settlement Agreement that is not otherwise specifically addressed in this section VII shall be submitted to binding arbitration as set forth in, and governed by the provisions of, subsection VII.B. Provided, however, that disputes regarding whether legislation, or a protective order issued by a court, authorizes the disclosure of confidential documents or information shall be resolved by a court of competent jurisdiction.

E. MSA Section XI(c). Except as specifically provided in this section VII with respect to arbitration between a PM or PMs and one or more Signatory States, the arbitration provision set forth in MSA Section XI(c) applies according to its terms.

F. FAA. All arbitrations described in this section VII shall be governed by the United States Federal Arbitration Act.

## VIII. RELEASES

A. Release by PMs. Except as provided in this Settlement Agreement:

1. Effective upon payment of all sums due from a Signatory State under section III, all PMs absolutely and unconditionally release and discharge that Signatory State from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2003-2012 NPM Adjustments.

2. Effective upon payment of all sums due from a Signatory State under subsection V.A with respect to the 2013 NPM Adjustment, all PMs absolutely and unconditionally release and discharge that Signatory State from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2013 NPM Adjustment. Effective upon payment of all sums due from a Signatory State under subsection V.A with respect to the 2014 NPM Adjustment, all PMs absolutely and unconditionally release and discharge that Signatory State from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2014 NPM Adjustment. Effective upon payment of all sums due from a Signatory State under subsection V.A with respect to the 2015 NPM Adjustment, all PMs absolutely and unconditionally release and discharge that Signatory State from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2015 NPM Adjustment.

3. The foregoing releases (i) apply to the PMs, their respective past, present and future Affiliates, the respective divisions, officers, directors, employees, agents and legal representatives of each such PM and each such Affiliate, and the successors and assigns of each of the foregoing, and (ii) inure to the benefit of the applicable Signatory State and its past, present and future agents, officials acting in their official capacities, legal representatives, agencies, departments, commissions and divisions, any political subdivision of such Signatory State, and the successors and assigns of each of the foregoing.

4. The PMs reserve all rights with respect to all Non-Signatory States, including, without limitation, as to the 2003-2015 NPM Adjustments.

B. Release by Signatory States. Except as provided in this Settlement Agreement:

1. Effective upon the deposit by a PM and release of the 2003-2012 NPM Adjustment amounts as required in subsections IV.A.1-5, each Signatory State absolutely and unconditionally releases and discharges such PM from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2003-2012 NPM Adjustments.

2. Effective upon deposit by a PM and release of the 2013 NPM Adjustment amount provided in subsection IV.B.1, each Signatory State absolutely and unconditionally releases and discharges such PM from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2013 NPM Adjustment. Effective upon deposit by a PM and release of the 2014 NPM Adjustment amount provided in subsection IV.B.1, all Signatory States absolutely and unconditionally release and discharge such PM from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2014 NPM Adjustment. Effective upon repayment and release by a PM of the 2015 NPM Adjustment amounts described in subsection V.A.10.e, all Signatory States absolutely and unconditionally release and discharge such PM from any further Claims directly or indirectly based on, arising out of or in any way related, in whole or in part, to the 2015 NPM Adjustment.

3. The foregoing releases (i) apply to such Signatory States and their respective past, present and future agents, officials acting in their official capacities, legal representatives, agencies, departments, commissions and divisions, any political subdivision of a Signatory State, and the successors and assigns of each of the foregoing, and (ii) inure to the benefit of such PMs, their respective past, present and future Affiliates (except to the extent

that such Affiliate is a Participating Manufacturer), the respective divisions, officers, directors, employees, agents and legal representatives of each such PM and each such Affiliate, and the successors and assigns of each of the foregoing.

4. The Signatory States reserve all rights with respect to all Participating Manufacturers that are not Signatory Parties, including, without limitation, as to the 2003-2015 NPM Adjustments.

C. Unknown Claims. Notwithstanding any provision of law, statutory or otherwise, that provides that a general release does not extend to claims which the creditor does not know or suspect to exist in its favor at the time of executing the release, which if known by it must have materially affected its settlement with the debtor, the releases set forth in subsections VIII.A-B release all Claims within the scope of the applicable release, whether known or unknown, foreseen or unforeseen, suspected or unsuspected, and each party giving the applicable release understands and acknowledges the significance and consequences of waiver of any such provision of law and hereby assumes full responsibility for any injuries, damages or losses that such party may incur as a result.

D. Instructions to Independent Auditor. The PMs and Signatory States shall cooperate with each other in providing instructions to the Independent Auditor to the extent reasonably necessary to satisfy the conditions for the releases set forth in subsections VIII.A and VIII.B.

E. No Effect on This Settlement Agreement. None of the foregoing releases applies to a Signatory Party's obligation to comply with the provisions of this Settlement Agreement or is intended to interfere with a Signatory Party's ability to enforce such provisions.

F. 2004-2015 Arbitrations with Non-Signatory States.

1. The Signatory States agree (i) to forgo any right to participate in the selection of the arbitration panels for the 2004-2015 NPM Adjustment disputes between the PMs and the Non-Signatory States, and (ii) not to argue that such panels do not have jurisdiction to determine the Signatory States' diligent enforcement on the specific ground that they did not participate in the selection of such panels. The Signatory States reserve any other objections they may have to (x) such panels' jurisdictions related to them, and (y) any claim by a Non-Signatory State contesting a Signatory State's diligent enforcement for 2004-2015.

2. If a Non-Signatory State advances a claim in any forum that the amount of the NPM Adjustment for any of the years 2004-2015 allocated to it or recoverable from it by the PMs should be lower because a Signatory State was non-diligent for the year at issue, then:

a. The Signatory State shall have the option, but shall not be required, to appear in such forum to substantiate its diligent enforcement for the year at issue.

b. Whether or not the Signatory State elects to exercise the option in subsection VIII.F.2.a, the PMs shall have the option, but shall not be required, to appear in such forum to substantiate that State's diligent enforcement for the year at issue.

c. If the PMs elect to exercise the option in subsection VIII.F.2.b, upon request from the PMs, the Signatory State shall provide documents and witnesses to the PMs or their outside counsel in an amount and in a time and manner reasonably necessary under the circumstances to substantiate the Signatory State's diligent enforcement for the year at issue. Without limiting further requests that may be reasonably necessary under the circumstances, the Signatory Parties agree that the following requests for witnesses are presumptively reasonable for purposes of this subsection VIII.F.2.c: (i) that the Signatory State



provide for interview and to testify at the hearing, if any, on the State's diligent enforcement the percipient witness with the greatest personal knowledge regarding the State's diligent enforcement for the year at issue from each government agency or department with responsibility for administering, implementing, or enforcing the State's Escrow Statute (for example, the Attorney General's office and the department of revenue or its equivalent); and (ii) that the Signatory State make reasonable efforts to provide witnesses described in clause (i) above who are no longer in the State's employ, and, if such witnesses nonetheless cannot be provided, to provide the best available substitute. This subsection VIII.F.2.c does not require a Signatory State to provide to the PMs or their outside counsel any taxpayer confidential information, or other documents that are confidential under such State's law, absent a protective order entered in accordance with such State's law. The PMs and the Signatory State in question shall cooperate to obtain such a protective order to the extent such an order may be entered pursuant to applicable state law.

d. The PMs shall reimburse the Signatory State for the reasonable expenses incurred by the Signatory State to provide the documents and witnesses requested by the PMs under subsection VIII.F.2.c.

e. Documents provided by a Signatory State pursuant to this subsection VIII.F.2 shall be used only for the purpose of substantiating such State's diligent enforcement. At the request of the Signatory State that provided such documents, the PMs and/or their outside counsel shall promptly destroy or return all such documents to the Signatory State, provided that all Non-Signatory-State contests of such State's diligent enforcement for that year have been fully and finally resolved.

f. If a Non-Signatory State prevails on a claim described in this subsection VIII.F.2, and a Signatory State is found or deemed non-diligent for any of the years 2004-2015, the PMs shall ensure that the effect of such finding of non-diligence will not reduce any payment that otherwise would have been made by the PMs to such Signatory State but-for that decision.

3. Nothing in this Settlement Agreement is intended to provide any Non-Signatory State with a judgment reduction greater than that provided by the applicable arbitration panel. However, the following provisions will govern in the event that this Settlement Agreement gives rise to a Contribution Claim by a Non-Signatory State against a Signatory State with respect to any of the 2004-2015 NPM Adjustments and the Non-Signatory State is permitted to maintain such Claim:

a. Subject to the conditions in subsection VIII.F.3.b, the PMs shall ensure that a Signatory State itself does not have to pay any judgment obtained by a Non-Signatory State against such Signatory State on such Contribution Claim, including, without limitation, reducing any amount the PMs recover from the Non-Signatory State on the NPM Adjustment at issue in such Contribution Claim by the full amount of any judgment obtained by the Non-Signatory State against the Signatory State on such NPM Adjustment on such Contribution Claim. As used in this subsection VIII.F.3.a, a judgment means a contested judgment on the merits, and does not include, for example, a court-entered settlement or other type of stipulated relief. The amount of the PMs' recovery from the Non-Signatory States on the NPM Adjustment at issue, after reduction pursuant to this subsection VIII.F.3.a, shall be allocated among the PMs in proportion to their respective shares of the NPM Adjustment

amount that would have been applicable to such Non-Signatory State absent such reduction, unless the PMs otherwise direct.

b. The PMs' obligations under subsection VIII.F.3.a shall apply only if the Signatory State gives notice to the PMs of the filing of the Contribution Claim within 30 days of its service and takes reasonable steps to defend against such Contribution Claim fully, including contending that the settlement bars such Contribution Claim (subject to any limitation arising from Rule 11 of the Federal Rules of Civil Procedure or similar state procedural or ethical rules). The Signatory Parties agree that this subsection VIII.F.3.b does not obligate a Signatory State to employ outside counsel or use an expert witness to defend against such Contribution Claim.

c. The Signatory State shall not oppose a request by a PM to intervene in the action in which such Contribution Claim is brought.

d. As used in this subsection VIII.F.3, a "Contribution Claim" means any contribution claim or similar claim-over on any theory (other than a claim based on an agreement entered after the MSA between or among any Settling States with respect to any NPM Adjustment) by which a Non-Signatory State seeks to recover from a Signatory State any part of the NPM Adjustment allocated to the Non-Signatory State or any portion of an amount by which a Non-Signatory State's MSA payment was reduced by virtue of an NPM Adjustment. "Contribution Claim" does not include a claim by a Non-Signatory State that does not seek recovery from a Signatory State. (For example, "Contribution Claim" does not include a claim by a Non-Signatory State that the amount of the NPM Adjustment allocated to it or recoverable from it by the PMs should be lower because a Signatory State(s) was or should

be treated as non-diligent for the year at issue, but by which the Non-Signatory State does not seek monetary recovery from the Signatory State of part of the NPM Adjustment.)

4. As part of any settlement with a Non-Signatory State of the NPM Adjustment for any of 2004-2015, the PMs entering such settlement shall obtain from such Non-Signatory State for the benefit of each Signatory State a release of all Contribution Claims such Non-Signatory State may have with respect to the portion of the NPM Adjustment for each year(s) from 2004-2015 that is resolved as among such PMs and such Non-Signatory State in the settlement.

G. Claims Against Signatory States for 2016 and Subsequent NPM Adjustments.

No determination that a Signatory State failed to diligently enforce a Qualifying Statute during 2016 or any subsequent year shall be based at all on (i) NPM Cigarettes sold before calendar year 2013, or (ii) NPM Cigarettes sold during calendar year 2013, 2014 or 2015 that such State had not treated as subject to the escrow requirement under its Escrow Statute prior to a change in policy or law, if any, that became effective in or after calendar year 2011.

**IX. MISCELLANEOUS**

A. Most Favored Nation.

1. If one or more PMs entered into a separate settlement agreement with a Settling State that resolves the 2003 NPM Adjustment as to that State prior to a panel determination in the 2003 arbitration as to whether that State diligently enforced a Qualifying Statute during 2003, and such settlement includes overall terms more favorable to such Settling State than the terms of this Settlement Agreement applicable to the Signatory States that signed the Term Sheet and determined to proceed with the settlement by December 17, 2012, then the overall terms of this Settlement Agreement shall be revised as to all Signatory States so that

they will obtain from the PM(s) party to such separate settlement agreement overall terms as favorable as those obtained by such Settling State. Provided, however, that references to settling or resolving the 2003 NPM Adjustment as to a Settling State do not include determinations by a PM not to contest that State's diligent enforcement claim for 2003 unless the PM received consideration from that State in return for such determination.

2. If one or more Signatory States entered into a separate settlement agreement with a Participating Manufacturer that resolves the 2003 NPM Adjustment as to that State prior to a determination in the 2003 arbitration as to whether that State diligently enforced a Qualifying Statute during 2003, and such settlement includes overall terms more favorable to such Participating Manufacturer than the terms of this settlement, then the overall terms of this settlement shall be revised as to all PMs so that they will obtain from the Signatory State(s) party to such separate settlement agreement overall terms as relatively favorable as those obtained by such Participating Manufacturer.

3. The provisions of this subsection IX.A shall not apply to the following agreements: (i) Settlement Agreement Regarding 2003 NPM Adjustment Dispute between Canary Islands Cigar Company and certain Settling States dated May 25, 2006; (ii) Settlement Agreement Regarding 2003 NPM Adjustment Dispute between Wind River Tobacco Company, LLC and certain Settling States dated June 6, 2006; (iii) Settlement Agreement Regarding 2003 NPM Adjustment Dispute between Societe Nationale d'Exploitation Industrielle des Tabacs et Allumettes and certain Settling States dated June 18, 2006; and (iv) any similar settlement agreement entered into in 2006 by and between any Participating Manufacturer and any Settling State.

B. RYO.

1. For purposes of determining the number of Non-Compliant NPM Cigarettes pursuant to subsection V.B, references to a number of Cigarettes include roll-your-own tobacco, with 0.09 ounces of “roll-your-own” tobacco constituting one individual Cigarette. For all other purposes of this Settlement Agreement, references to a number of Cigarettes include roll-your-own tobacco, with 0.0325 ounces of “roll-your-own” tobacco constituting one individual Cigarette. This provision does not apply to determining the Relative Market Shares for purposes of allocating any aggregate OPM amounts among the OPMs.

2. The Signatory States and the PMs shall continue to discuss in good faith and on an ongoing basis the issues of pipe tobacco being sold for use as RYO and of cigarette rolling machines being located at retail establishments and clubs.

C. Necessary Legislation.

1. All Signatory States must continuously have the Escrow Statute, Complementary Legislation and Allocable Share Repeal in full force and effect.

2. If a Signatory State does not have the Escrow Statute or Complementary Legislation in full force and effect during any part of a calendar year, such State shall not receive the benefit, if any, of the exclusion provisions of subsection V.B.5 and the reimbursement provisions of subsection V.C.9 with respect to such year. The adjustments pursuant to subsections V.B and V.C for such year shall fully apply to such State other than the provisions set forth in the preceding sentence. In addition, nothing in this Settlement Agreement amends or supersedes the provisions of MSA Section IX(d)(2)(B) that the NPM Adjustment for a year is applied, regardless of diligent enforcement, to the Allocated Payment

of a State that does not have a Qualifying Statute in full force and effect during the entire such calendar year.

3. If a Signatory State that does not have the Allocable Share Repeal in full force and effect during any part of a calendar year, any NPM Cigarettes on which that State releases escrow in or for such year that would not be released under the Allocable Share Repeal shall be treated as Non-Compliant NPM Cigarettes under subsection V.B.

4. A Signatory State that does not have the Allocable Share Repeal in full force and effect as of the date it signs this Settlement Agreement shall have until the end of that calendar year to put it into full force and effect. If it does not do so, subsection IX.C.3 shall apply starting with NPM Cigarettes sold in the following year.

D. Taxes.

1. If a Signatory State has a law, regulation, systematic policy, compact or agreement with respect to taxes (applicability, amount, collection or refund) or stamping that is different for any NPM Cigarettes than any PM Cigarettes, or a law, regulation, systematic policy, compact or agreement with respect to stamping that does not set forth specific requirements regarding when and what stamps are required, the law, regulation, systematic policy, compact or agreement shall be relevant as evidence of lack of diligent enforcement by that State.

2. If the difference with respect to taxes or stamping between NPM and PM Cigarettes referenced in subsection IX.D.1 is material in a Signatory State, the reimbursement set forth in subsection V.C.9 (including the estimated amount of such reimbursement that would be applied under subsection IV.B.2) shall not apply to the NPM Adjustment allocated to that State (if any) for a year in which the difference is in effect.

3. The provisions of subsections IX.D.1-2 shall not apply to (i) taxes or stamping requirements that differ for Native American reservation sales and non-Native American reservation sales, provided that the taxes and stamping requirements applicable to reservation and non-reservation sales respectively are the same for both PM and NPM Cigarettes, or (ii) requirements that NPM Cigarettes bear a stamp of a different color or type solely for purposes of identification.

E. Cap of MSA Payment.

1. If the adjustment amount determined pursuant to subsections V.A.2, V.A.10 or V.C (prior to the reimbursement under subsection V.C.9) applicable to a PM's payment for the benefit of a Signatory State exceeds the total MSA payment amount for the benefit of such State from that PM for that year to which such adjustment applies pursuant to subsection IX.F.2 (i.e., before the application of the credits, reductions and adjustments described in subsections IX.F.3-4), such adjustment amount applicable to such PM's payment for the benefit of such State shall be reduced to equal such total MSA payment amount (determined as described in this sentence). The reimbursement under subsection V.C.9 shall then be determined based on such reduced adjustment amount. Pursuant to the MSA, any excess described in the first sentence of this subsection IX.E.1 shall be reallocated pursuant to MSA Section IX(d)(2).

2. If the adjustment amount determined pursuant to subsection V.B (including as applied in the transition period pursuant to subsection V.A.10.f) applicable to a PM's payment for the benefit of a Signatory State exceeds the total MSA payment amount due for the benefit of such State from that PM for that year to which such adjustment applies pursuant to subsection IX.F.3 (i.e., before the application of the credits, reductions and



adjustments described in subsection IX.F.4, but after the application of the reduction described in subsection IX.E.1 and after the application of the reimbursement under subsection V.C.9, if any), such adjustment amount applicable to such PM's payment for the benefit of such State shall be reduced to equal such total MSA payment amount (determined as described in this sentence).

3. For purposes of this subsection IX.E only, until the applicability of an adjustment pursuant to subsection V.C for a particular year has been determined, the amount of such adjustment applicable to a PM's payment for the benefit of a Signatory State for such year shall be deemed to equal the amount allocated to such State and released to such PM for such year pursuant to subsection IV.B.2.e (if no such amount is so released to such PM for such year, the amount shall be zero). Once the applicability of the adjustment pursuant to subsection V.C for a particular year has been determined, this subsection IX.E shall apply using the actual amount of such adjustment allocated to each Signatory State, if any.

4. Nothing in subsections IX.E and IX.F shall require a PM to return or repay to any Signatory State any amounts previously received by such PM pursuant to the terms of this Settlement Agreement, whether by credit, reduction or adjustment. Any amount of an adjustment pursuant to section V that could be applied to a PM's MSA payment for the benefit of a Signatory State for a given year under the provisions of subsections IX.E.1-3, but cannot be so applied because of the preceding sentence, shall carry forward (with interest at the Prime Rate) and apply against subsequent eligible MSA payments due from that PM for the benefit of that Signatory State until all such amount has been applied.

F. Order of Application of Credits, Reductions and Adjustments to MSA

Payments. The Signatory Parties shall instruct the Independent Auditor to apply the credits, reductions and adjustments described in this Settlement Agreement as follows:

1. Except as provided below, the Independent Auditor shall calculate the payments due under the MSA by applying all clauses of MSA Section IX(j) as set forth in that Section.

2. The Independent Auditor shall apply the transition period adjustments under subsections V.A.2 and V.A.10, and the adjustments under subsection V.C, in applying clauses “Sixth” and “Seventh” of MSA Section IX(j).

3. The Independent Auditor shall apply the adjustments under subsection V.B (including as applied in the transition period pursuant to subsection V.A.10.f) to the results of clause “Seventh” of MSA Section IX(j).

4. The Independent Auditor shall apply the credits and the dollar amounts of the reductions under section III to the results of the preceding subsection IX.F.3, and then shall apply clause “Eighth” of MSA Section IX(j) to the resulting amounts due.

G. Additional Legislation.

1. If and to the extent requested by a Signatory State, the PMs will cooperate with the State Attorney General’s office in drafting potential legislation that: (i) permits the release of information to the Data Clearinghouse as provided in subsection VI.K.2; (ii) imposes the bonding requirement described in subsection V.B.5.c; (iii) imposes the joint-and-several liability requirement described in subsection V.B.5.c; (iv) modifies the Escrow Statute in a manner consistent with subsection V.C.5 with respect to the subjects described therein; and/or (v) permits a compact meeting the conditions described in subsection

V.B.5.d and modifies the Escrow Statute in the manner described therein. The PMs will support the enactment in such State of legislation that contains no deviation of substance from such draft legislation, provided that such legislation is not in conjunction with any other legislative proposal.

2. The Signatory States and the PMs shall continue to discuss in good faith and on an ongoing basis support for other appropriate legislative enactments that would enhance enforcement of and/or improve compliance with the escrow requirement and for legislation prohibiting or limiting the sale of Cigarettes to any consumer who is not in the physical presence of the seller at the time of sale.

H. Potential New Participating Manufacturers.

1. Subject to the condition specified in subsection IX.H.2, the PMs agree to waive rights under MSA Section XVIII(b) as to any NPM signing the MSA and becoming a Participating Manufacturer without making back payments for sales in prior years that would otherwise be required under MSA Section II(jj) and/or without making full escrow deposits on such prior sales, provided that the following conditions are met: (i) the NPM signs the MSA within 120 days of the Effective Date; (ii) the NPM irrevocably assigns the full amount on deposit in all its existing escrow accounts to the Settling States; (iii) all other MSA terms are applicable to the NPM and the NPM waives any claim of immunity from enforcement of its MSA obligations; (iv) the NPM agrees to the other customary terms and conditions, apart from back payments and escrow deposits, that the Settling States have required for new Participating Manufacturers (including quarterly MSA payments and removal of brands and manufacturers from State directories if the MSA or Adherence Agreement provisions are breached); and (v) the NPM agrees that substantial non-compliance with its MSA obligations during the first

five years after joining the MSA in the absence of a good-faith dispute would trigger the back-payment obligations that would otherwise have been required of it. The PMs do not waive rights under MSA Section XVIII(b) as to a new Participating Manufacturer's performance of its MSA obligations going forward.

2. The applicability of subsection IX.H.1 is conditioned upon the delivery to the PMs within 60 days of the Effective Date of a binding agreement executed by all Settling States and the Foundation that NPMs that sign the MSA pursuant to this provision without making full back payments will not be considered Participating Manufacturers for purposes of MSA Section IX(e).

3. Subsection IX.H.1 does not apply to any entity that agreed prior to the Effective Date to sign the MSA and to make any back payments. The PMs retain their rights under MSA Section XVIII(b) as to any such entity.

I. Release of Escrow. Except pursuant to the consent of the PMs with an aggregate Market Share in the immediately preceding calendar year equal to at least 93% of the aggregate Market Share of all the PMs, the Signatory States shall not release or refund escrow deposited for Cigarettes sold during the resolved years 1999-2012 or transition years 2013-2015 except as provided in the Escrow Statute (as amended by Allocable Share Repeal), or to the Signatory State pursuant to an irrevocable assignment of the escrow funds (including any interest thereon) to the State, or in conformance with subsection V.B.5.d. Any release or refund of escrow deposited for subsequent years shall be addressed as provided in subsections V.B, V.C and VI.I.

J. 2003 Uncontested Signatory States. The 2003 Contested Signatory States Whose Diligent Enforcement Was Not Determined shall fully compensate each 2003

Uncontested Signatory State for such State's share of the settlement payments due under section III with respect to the 2003 NPM Adjustment, provided that such 2003 Uncontested Signatory State signed the Term Sheet prior to a panel determination in the 2003 arbitration as to whether any State diligently enforced a Qualifying Statute during 2003. Such compensation shall be provided as directed by the 2003 Contested Signatory States Whose Diligence Was Not Determined, and may be provided through a reallocation among those Signatory States of their respective shares of (i) the settlement credits and reductions described in section III, (ii) the releases from the Disputed Payments Account described in section IV, or (iii) MSA payments for the benefit of those Signatory States. Such compensation amounts shall be allocated to all the 2003 Contested Signatory States Whose Diligent Enforcement Was Not Determined, allocated among them pro rata in proportion to their respective Allocable Shares.

K. SPMs with Insufficient MSA Payment Obligations. If a credit, adjustment or overpayment offset due to a particular SPM pursuant to this Settlement Agreement, including Exhibit F to this Settlement Agreement, cannot be applied in full in a given year because such SPM (unlike other PMs) has insufficient or no MSA payments in such year because it had insufficient or no domestic sales in the preceding year, the SPM may carry forward such unused amount or transfer some or all of it to another PM, to be applied against that transferee PM's MSA payments. If such transfer occurs, the transferor PM and transferee PM shall jointly notify the Independent Auditor of the transfer and its amount, and the transferor PM, transferee PM and the Signatory States shall jointly instruct the Independent Auditor to apply the transferred amount as a dollar-for-dollar offset against the MSA payment(s) due from the transferee PM on the next MSA Payment Due Date following the date of the notice and instructions. If the transferee PM's combined MSA Sections IX(c)(1) and IX(c)(2) payment in

the applicable year is not sufficient to offset the transferred amount, the carry-forward and transfer provisions of this Settlement Agreement shall apply. No interest shall accrue on such unused amount so carried forward or transferred by the SPM except insofar as interest is otherwise due under another provision of this Settlement Agreement as of the date on which the credit would have been applied had the SPM had sufficient MSA payment obligations.

L. Quarterly Certification. Beginning with the 2018 Payment Due Date, twenty-five percent of a year's credit against the payment of each PM due on the Payment Due Date in each year may be recognized at the end of each quarter of the prior year – that is, on March 31, June 30, September 30, and December 31 (the “quarterly date”) – subject to the following condition: Each PM will separately recognize its credits only if the respective PM certifies to the Independent Auditor, on or before each quarterly date, that the Signatory States' share of that PM's MSA payment that will be due on the Payment Due Date immediately following that year based on that PM's shipments of Cigarettes during that quarter as reported to Management Science Associates, Inc. (for purposes of this paragraph, “Signatory States' share”) equals or exceeds the amount of the credit to be recognized by that PM on that quarterly date. If a PM does not so certify, then in that quarter it will recognize its credit only for the amount that such PM does certify that Signatory States' share will be; if, due to this paragraph, the twenty-five percent of a year's credit is not recognized in full by a PM on a quarterly date, then the unrecognized amount of that credit will be recognized in a subsequent quarter (or quarters) of that year for the amount that the PM certifies in that subsequent quarter that Signatory States' share is sufficient. A PM may elect to opt out of the certification process described above for a stated period of time by notice to the Signatory States. If a PM does opt out of that process, nothing in this subsection IX.L shall require it to account or prohibit it from accounting for the

credits in a particular manner or to recognize or prohibit it from recognizing them at a particular time.

M. Reasonable Efforts. Where this Settlement Agreement refers to a Signatory Party using reasonable efforts, and such reasonable efforts may include court or arbitral proceedings, the required efforts do not include actions that would violate Rule 11 of the Federal Rule of Civil Procedure or similar state procedural or ethical rules.

N. Additional Participating Manufacturers. Any Participating Manufacturer that becomes a signatory to this Settlement Agreement after the conclusion of the 2003 arbitration hearings may join this Settlement Agreement on terms acceptable to the Signatory States, subject to subsection IX.A.

O. Office. Each Signatory State shall identify or establish an office, department or other point of contact to which information regarding potential violations of the provisions of the Model Escrow Statute, Complementary Legislation and Allocable Share Repeal, as enacted in each such Signatory State, can be reported by consumers, retailers, wholesalers, jobbers, manufacturers or others involved with the manufacture, distribution or sale of cigarettes.

P. Business Days. Any obligation under this Settlement Agreement that, under the terms of this Settlement Agreement, is to be performed on a day that is not a Business Day shall be performed on the first Business Day thereafter.

Q. Counterparts. This Settlement Agreement may be executed in counterparts. Electronically transmitted, facsimile or photocopied signatures shall be considered valid as of the date delivered, although the original signature pages shall thereafter be provided to:

NAAG Center for Tobacco and Public Health  
Michael G. Hering, Director and Chief Counsel  
c/o Erjona Fatusha, [efatusha@NAAG.ORG](mailto:efatusha@NAAG.ORG)  
1850 M Street, NW, 12th Floor  
Washington, DC 20036  
eFax# 202.521.4052

R. No Third Party Beneficiaries. Except as provided in subsections VIII.A-B, no portion of this Settlement Agreement shall provide any rights to, or be enforceable by, any person or entity that is not a Signatory Party, including any Non-Signatory State.

S. Notices. All notices and other communications required by this Settlement Agreement shall be in writing and shall be deemed received (i) immediately if sent by electronic mail, or (ii) the next Business Day if sent by nationally recognized overnight courier to the respective address as provided by the recipient.

T. Non-Admissibility. No evidence of the negotiations of this Settlement Agreement, or any drafts of this Settlement Agreement, shall be admissible in any dispute between the Signatory Parties as to the meaning of this Settlement Agreement.

U. Construction. No Signatory State or PM shall be considered the drafter of this Settlement Agreement, or any provision thereof, for the purpose of any statute, case law or rule of interpretation or construction that would or might cause any provision to be construed against the drafter.

V. Headings. The headings of the sections and subsections of this Settlement Agreement are not binding and are for reference only and do not limit, expand or otherwise affect the contents or meaning of this Settlement Agreement.

W. Cooperation.

1. Each Signatory State and each PM agrees to use its best efforts and to cooperate with each other to cause this Settlement Agreement to become effective, to obtain all



necessary approvals, consents and authorizations, if any, and to execute all documents and to take such other action as may be appropriate in connection herewith. Consistent with the foregoing, each Signatory State and each PM agrees that it will not directly or indirectly assist or encourage any challenge to this Settlement Agreement by any other person, and will support the integrity and enforcement of the terms of this Settlement Agreement.

2. Each Signatory State further agrees to cooperate with the PMs in opposing any motions to vacate or modify the Stipulated Partial Award issued by the 2003 NPM Adjustment Dispute Arbitration Panel. Provided, however, that the foregoing sentence shall not require a Signatory State to submit to jurisdiction of any court if such State is not otherwise subject to such court's jurisdiction.

X. No Prejudice.

1. Nothing in this Settlement Agreement shall limit, prejudice or otherwise interfere with the rights of any PM or Signatory State to pursue any and all rights and remedies it may have against any Settling State that is a Non-Signatory State or any Participating Manufacturer that is not a PM.

2. This Settlement Agreement (including, but not limited to, subsections II.K, II.Q, II.R, II.AA, VI.F.5 and VI.I.1.f) is entered without prejudice to any Signatory Party's position regarding the effect of, or requirements with respect to, an Original Participating Manufacturer's sale of brands or an entity's acquisition of brands formerly owned by an Original Participating Manufacturer in connection with any dispute that does not directly arise under this Settlement Agreement. This Settlement Agreement (including, but not limited to, subsections II.K, II.Q, II.R, II.AA, VI.F.5 and VI.I.1.f) will not constitute evidence with respect to any such position and will not be admissible or used in connection with any dispute

that does not directly arise under this Settlement Agreement. For avoidance of doubt, disputes about allocation among the OPMs of adjustments under subsections IV.B.2.b and V.A-C or the profit adjustment under the MSA or any Previously Settled State's Tobacco Settlement Agreement do not directly arise under this Settlement Agreement.

3. Any joint determination and instruction to the Independent Auditor pursuant to subsection IV.B.2.b as to the OPMs' respective shares of the OPMs' Potential Maximum NPM Adjustments, or any direction to the Independent Auditor as to the allocation of adjustments under subsections V.A-C, shall be without prejudice to any disputes between or among the OPMs regarding such shares or regarding the OPMs' allocation of the adjustment for the year in question under subsections V.A-C. If such dispute is resolved so that the OPMs' new shares or allocation are different from those initially determined by the OPMs pursuant to subsection IV.B.2.b or initially directed by the OPMs pursuant to subsections V.A-C, then each OPM shall make any payments necessary to assure that each Signatory Party has received or paid the correct amounts based on such new shares or allocation.

Y. Representations of Signatory Parties. Each Signatory State and each PM hereby represents that this Settlement Agreement has been duly authorized and, upon execution, will constitute a valid and binding contractual obligation, enforceable in accordance with its terms, of each of them. The signatories to this Settlement Agreement expressly represent and warrant that they have the authority to settle and resolve all matters within the scope of this Settlement Agreement on behalf of their respective Signatory States and PMs and their respective past, present and future agents, officials acting in their official capacities, legal representatives, agencies, departments, commissions and divisions, affiliates, successors and assigns, and that such signatories are aware of no authority to the contrary. Each Signatory Party shall have the

right to terminate this Settlement Agreement as to any other Signatory Party as to which the foregoing representation and warranty is breached or not effectively given.

Z. Integration. This Settlement Agreement contains an entire, complete and integrated statement of each and every term and provision agreed to by and among the PMs and Signatory States with respect to the settlement and resolution of specified NPM Adjustment disputes as among them, including the final resolution as among them of the 2003-2012 NPM Adjustments and provisions regarding the NPM Adjustments for subsequent years. This Settlement Agreement is not subject to any condition or covenant, express or implied, not provided for in this Settlement Agreement.

AA. No Admission of Liability. This Settlement Agreement is not intended to be and shall not in any event be construed or deemed to be, or represented or caused to be represented as, an admission or concession or evidence of any liability or any wrongdoing whatsoever on the part of any PM or any Signatory State.

BB. Amendment and Waiver. This Settlement Agreement may be amended only by a written instrument executed by all PMs affected by the amendment and by all Signatory States affected by the amendment. The waiver of any rights conferred by this Settlement Agreement shall be effective only if made by written instrument executed by the waiving Signatory Party. The waiver by any Signatory Party of any breach of this Settlement Agreement shall not be deemed to be or construed as a waiver of any other breach, whether prior, subsequent or contemporaneous, nor shall such waiver be deemed to be or construed as a waiver by any other Signatory Party.

IN WITNESS THEREOF, each Signatory Party, through its authorized representative, has agreed to this Settlement Agreement on the respective date indicated below.

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

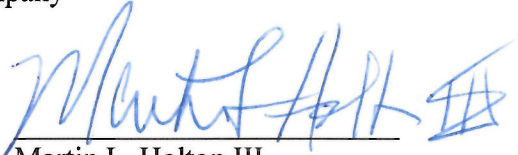
PHILIP MORRIS USA INC.

By:   
Kevin C. Crosthwaite, Jr.  
President and Chief Executive Officer

Date: 9/21/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


R. J. REYNOLDS TOBACCO COMPANY, in its own capacity and as successor in interest to  
Brown & Williamson Tobacco Corporation and as Successor in interest to Lorillard Tobacco  
Company

By:   
Martin L. Holton III  
Executive Vice President and General Counsel

Date: SEPTEMBER 25, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

COMMONWEALTH BRANDS, INC.

By:   
Rob Wilkey  
General Counsel and Secretary

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

COMPANIA INDUSTRIAL DE TABACOS MONTE PAZ S.A.

By: Elizabeth B. McCall  
Elizabeth B. McCallum, Outside Counsel

Date: 10 - 15 - 17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

DAUGHTERS & RYAN, INC.

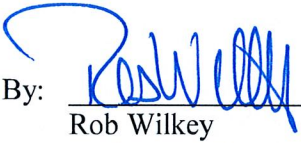
By: Mark Ryan  
Mark Ryan  
President

Date: 9/27/17



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

ETS L LACROIX FILS S.A. (BELGIUM)

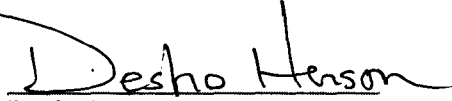
By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

FARMER'S TOBACCO CO. OF CYNTHIANA, INC.

By:

A handwritten signature in black ink that reads "Desha Henson". The signature is written over a horizontal line. A long, sweeping horizontal line extends from the left side of the signature across the top of the page.

Desha Henson

President

Date:


9/26/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

HOUSE OF PRINCE A/S

By:   
\_\_\_\_\_  
Peter Helbo  
Board Member

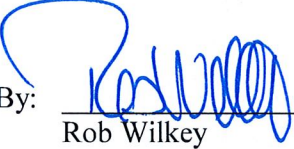
Date: 28/9-2017

By:   
\_\_\_\_\_  
James Yanamaka  
Chief Executive Officer

Date: 25/9/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

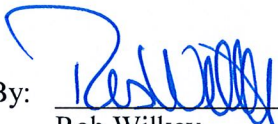
IMPERIAL TOBACCO LIMITED (UK)

By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

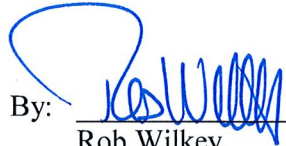
IMPERIAL TOBACCO MULLINGAR (IRELAND)

By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

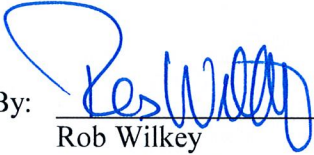
IMPERIAL TOBACCO POLSKA S.A. (POLAND)

By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

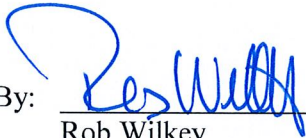
IMPERIAL TOBACCO PRODUCTION UKRAINE

By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

IMPERIAL TOBACCO SIGARA VE TUTUNCULUK SANAYI VE TICARET S.A.  
(TURKEY)

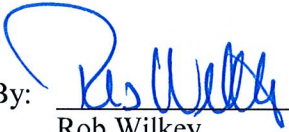
By:  \_\_\_\_\_  
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

ITG BRANDS, LLC (FORMERLY LIGNUM-2, LLC)

By:   
\_\_\_\_\_  
Rob Wilkey  
General Counsel and Secretary

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

JAPAN TOBACCO INTERNATIONAL U.S.A., INC.

By:   
\_\_\_\_\_  
Jerry Loftin  
President

Date: 10/4/17  
\_\_\_\_\_

By: \_\_\_\_\_  
Michael Mete  
Chief Financial Officer

Date: \_\_\_\_\_

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

JAPAN TOBACCO INTERNATIONAL U.S.A., INC.

By: \_\_\_\_\_  
Jerry Loftin  
President

Date: \_\_\_\_\_

By:   
\_\_\_\_\_  
Michael Mete  
Chief Financial Officer

Date: 10/4/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

KING MAKER MARKETING, INC.

By: Edward W. Kacsuta  
Edward W. Kacsuta  
President

Date: 09.25.17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

KRETEK INTERNATIONAL, INC.

By: Henry C. Roemer  
Henry C. Roemer  
Counsel

Date: October 19, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

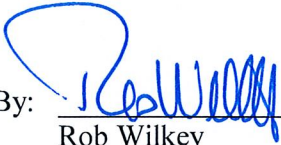
LIGGETT GROUP LLC

By:   
John Long  
Vice President and General Counsel

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

000 TABAKSFABRIK REEMTSMA WOLGA (RUSSIA)

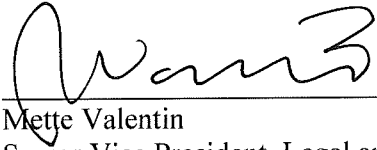
By:   
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

PETER STOKKEBYE TOBAKSFABRIK A/S

By:



Mette Valentin  
Senior Vice President, Legal and Public Affairs

Date: 2 October 2017



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

PREMIER MANUFACTURING, INC.


By: Edward W. Kacsuta  
Edward W. Kacsuta  
Chief Executive Officer

Date: 09.25.17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

P.T. DJARUM

By:



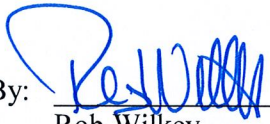
Henry C. Roemer  
Counsel

Date:

October 19, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

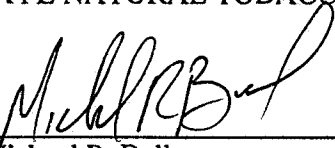
REEMTSMA CIGARETTENFABRIKEN GMBH (REEMTSMA)

By:  \_\_\_\_\_  
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

SANTA FE NATURAL TOBACCO COMPANY, INC.

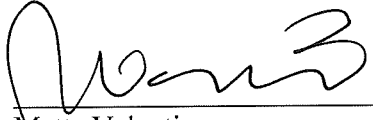
By:   
\_\_\_\_\_  
Michael R. Ball  
President

Date: 09/20/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

SCANDINAVIAN TOBACCO GROUP LANE LTD (FORMERLY LANE LIMITED)

By:



Mette Valentin

Senior Vice President, Legal and Public Affairs

Date:

2 October 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

SHERMAN'S 1400 BROADWAY N.Y.C., LLC

By: Brendon Scott  
Brendon Scott  
Vice President and Chief Financial Officer

Date: 9/20/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

SOCIETE NATIONAL D'EXPLOITATION INDUSTRIELLE DES TABACS ET  
ALLUMETTES (SEITA)

By:  \_\_\_\_\_  
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

TABACALERA DEL ESTE S/A (TABESA)


By:  Esq.  
Stephen Johnson  
Director and Secretary

Date: September 20, 2017



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

TOP TOBACCO, L.P.


By:   
\_\_\_\_\_

Seth Gold  
General Counsel

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

VAN NELLE TABAK NEDERLAND B.V. (NETHERLANDS)

By:   
\_\_\_\_\_  
Rob Wilkey  
Authorized Signatory

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

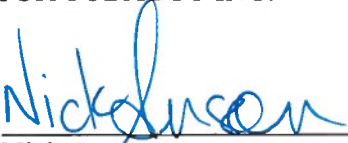
U.S. FLUE-CURED TOBACCO GROWERS, INC.

By: Edward W. Kacsuta  
Edward W. Kacsuta  
Senior Vice President

Date: 09.25.17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

VECTOR TOBACCO INC.

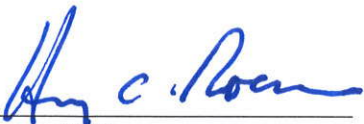
By:   
Nick Anson

Vice President-Finance and Chief Financial Officer

Date: September 20, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


VON EICKEN GROUP

By:   
Henry C. Roemer  
Counsel

Date: October 19, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


WIND RIVER TOBACCO COMPANY INC.

By:   
Mark Mansfield  
President

Date: 9/21/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF ALABAMA

By:   
\_\_\_\_\_  
Steve Marshall  
Attorney General

Date: 9/26/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF ARIZONA

By:



Mark Brnovich  
Attorney General

Date:

4 Oct 17



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF ARKANSAS

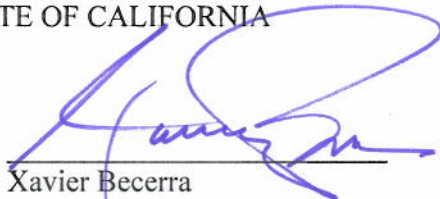
By:   
\_\_\_\_\_  
Leslie Rutledge  
Attorney General

Date: 9/25/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF CALIFORNIA

By:

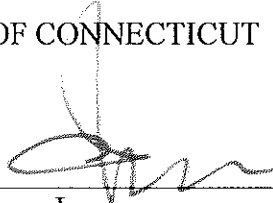
  
Xavier Becerra  
Attorney General

Date:

October 6, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

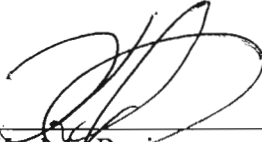
STATE OF CONNECTICUT

By:   
George Jepsen  
Attorney General

Date: 9/29/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


DISTRICT OF COLUMBIA

By:   
\_\_\_\_\_  
Karl A. Racine  
Attorney General

Date: 10/19/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF GEORGIA

By:   
\_\_\_\_\_  
Christopher M. Carr  
Attorney General

Date: 10/10/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF INDIANA


By: 

Curtis T. Hill, Jr.  
Attorney General

Date: 10-4-17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF KANSAS

By:   
Derek Schmidt  
Attorney General

Date: 10/10/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

COMMONWEALTH OF KENTUCKY


By   
Andy Beshear  
Attorney General

Date: 9/25/17



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF LOUISIANA

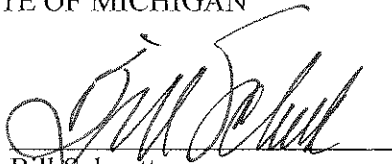
By:   
Jeff Landry  
Attorney General

Date: 10/10/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF MICHIGAN

By:



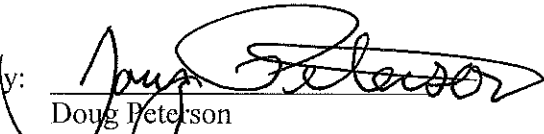
Bill Schuette  
Attorney General

Date:

October 10, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


STATE OF NEBRASKA

By:   
Doug Peterson  
Attorney General

Date: 10/5/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF NEVADA

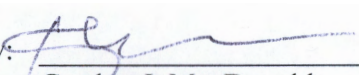
By:   
Adam Paul Laxalt  
Attorney General

Date: 10/11/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF NEW HAMPSHIRE

By:


  
\_\_\_\_\_  
Gordon J. MacDonald  
Attorney General

Date:

10/13/17  
\_\_\_\_\_

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

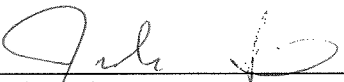
STATE OF NEW JERSEY

By:   
Christopher S. Porrino  
Attorney General

Date: Sept 28, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF NORTH CAROLINA

By:   
Josh Stein  
Attorney General

Date: 9/27/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF OKLAHOMA

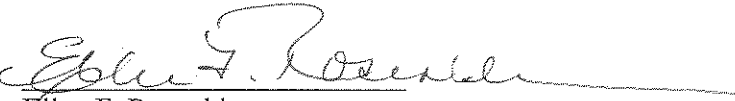
By: Mike Hunter  
Mike Hunter  
Attorney General

Date: 10/9/17



NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF OREGON

By:   
Ellen F. Rosenblum  
Attorney General

Date: September 27, 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
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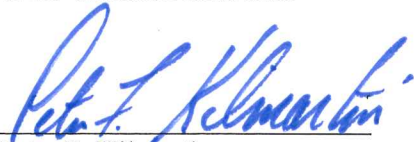
COMMONWEALTH OF PUERTO RICO

By: \_\_\_\_\_  
Wanda Vázquez Garced  
Attorney General

Date: \_\_\_\_\_

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF RHODE ISLAND

By:   
Peter F. Kilmartin  
Attorney General

Date: 27 Sept. 2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF SOUTH CAROLINA

By: Alan Wilson  
Alan Wilson  
Attorney General

Date: 10/2/17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF TENNESSEE

By: Herbert H. Slatery III  
Herbert H. Slatery III  
Attorney General and Reporter

Date: 10/2/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

COMMONWEALTH OF VIRGINIA

By:

Mark R. Herring

Mark Herring  
Attorney General

Date:

10/10/2017

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE


STATE OF WEST VIRGINIA

By: Patrick Morrissey  
Patrick Morrissey  
Attorney General

Date: 10-3-17

NPM ADJUSTMENT SETTLEMENT AGREEMENT  
SIGNATURE PAGE

STATE OF WYOMING

By:   
Peter K. Michael  
Attorney General

Date: October 4, 2017



**EXHIBIT A**

**ALLOCATED SETTLEMENT PERCENTAGES OF SIGNATORY STATES**

STATES THAT BECAME SIGNATORY STATES PRIOR TO APRIL 15, 2013

Signatory State	IX(c)(1) Allocated Settlement Percentage	IX(c)(2) Allocated Settlement Percentage
Alabama	0.7434202%	0.3472706%
Arizona	0.6779869%	1.4054391%
Arkansas	0.3809104%	0.3472706%
California	5.8714195%	2.3795988%
D.C.	0.2792744%	0.3472706%
Georgia	1.1290505%	0.4307199%
Kansas	0.3834888%	0.8511075%
Louisiana	1.0374624%	1.2088435%
Michigan	2.0018959%	1.1855016%
Nebraska	0.2736923%	0.3472706%
Nevada	0.2805701%	0.4739521%
New Hampshire	0.3063296%	0.4135229%
New Jersey	1.7788183%	1.3095982%
North Carolina	1.0728511%	0.8934603%
Oklahoma	0.4766230%	1.4350480%
Tennessee	1.1228115%	0.3472706%
Virginia	0.9405827%	0.3472706%
West Virginia	0.4077718%	1.0476228%
Wyoming	0.1142387%	0.3472706%
Puerto Rico	0.5157876%	0.7604597%

STATES THAT BECAME SIGNATORY STATES BETWEEN APRIL 15, 2013 AND THE  
END OF INDIVIDUAL STATE HEARINGS IN THE 2003 ARBITRATION

Signatory State	IX(c)(1) Allocated Settlement Percentage	IX(c)(2) Allocated Settlement Percentage
Connecticut	0.8540072%	1.5240431%
South Carolina	0.5411219%	0.6128180%

STATES THAT BECAME SIGNATORY STATES AFTER THE END OF INDIVIDUAL  
STATE HEARINGS IN THE 2003 ARBITRATION AND BEFORE THE EFFECTIVE DATE

Signatory State	IX(c)(1) Allocated Settlement Percentage	IX(c)(2) Allocated Settlement Percentage
Indiana	(a)	
Kentucky		
Oregon		
Rhode Island		

(a) Special Allocated Settlement Percentages for each of the States that became Signatory States after the end of the individual state hearings in the 2003 Arbitration and before the Effective Date are reflected in their respective joinder letters. See Exhibits G-J.

**EXHIBIT B**

**COMPLEMENTARY LEGISLATION IN EFFECT IN THE RESPECTIVE  
SIGNATORY STATES AS OF THE EFFECTIVE DATE**

Signatory State	Complementary Legislation
Alabama	ALA. CODE §§ 6-12A-1-7 (2017).
Arizona	ARIZ. REV STAT. ANN. § 44-7111 (2017).
Arkansas	ARK. CODE. ANN. §§ 26-57-1301-1308 (2017).
California	CAL. REV. & TAX CODE § 30165.1 (2017).
Connecticut	CONN. GEN. STAT. ANN. §§ 4-28K-R (2016), <i>amended by</i> Conn. Pub. Act 17-105 (sub. H.B. 7263) (effective October 1, 2017).
D.C.	D.C. CODE ANN. §§ 7-1803.01-07 (2017).
Georgia	GA. CODE ANN. §§ 10-13A-1-10 (2017).
Indiana	IN. CODE §§ 24-3-5.4-1-30 (2017).
Kansas	KAN. STAT. ANN. §§ 50-6a04-6a021 (2017).
Kentucky	KY. REV. STAT. §§ 131.606-131.630 (2017).
Louisiana	LA. REV. STAT. ANN. §§ 13:5071-5078 (2017).
Michigan	MICH. COMP. LAWS §§ 205.426 C-E (2017).
Nebraska	NEB. REV. STAT. §§ 69-2704-2711 (2017).
Nevada	NEV. REV. STAT. §§ 370.600-705 (2017).
New Hampshire	N.H. REV. STAT. ANN. §§ 541-D:1-9 (2017).
New Jersey	N.J. STAT. ANN. §§ 52:4D-4-13 (2017).
North Carolina	N.C. GEN. STAT. §§ 66-292-294.2 (2017).
Oklahoma	OKLA. STAT. tit. 68, §§ 360.1-10 (2017).

Signatory State	Complementary Legislation
Oregon	OR. REV. STAT. §§ 180.400 TO 180.455 (2016), <i>amended by</i> 2017 Or. Laws 687 (H.B. 3461) (effective August 8, 2017).
Rhode Island	R.I. GEN LAWS § 44-20-28.1 (2017).
South Carolina	S.C. CODE ANN. §§ 11-48-10–110 (2017).
Tennessee	TENN. CODE ANN. §§ 67-4-2601–2610 (2017).
Virginia	VA. CODE ANN. §§ 3.2-4204–4219 (2017).
West Virginia	W. VA. CODE §§ 16-9D-1–10 (2017).
Wyoming	WYO. STAT. ANN. §§ 9-4-1205–1210 (2016), <i>amended by</i> 2017 Wyo. Laws ch. 123 (S.F. 97) (effective July 1, 2017).
Puerto Rico	P.R. LAWS ANN. tit. 24, §§ 15005–15010 (2010).

**EXHIBIT C**

**ESCROW STATUTES IN EFFECT IN THE RESPECTIVE SIGNATORY  
STATES AS OF THE EFFECTIVE DATE**

Signatory State	Escrow Statute
Alabama	ALA. CODE §§ 6-12-1-4 (2017).
Arizona	ARIZ. REV STAT. ANN. § 44-7101 (2017).
Arkansas	ARK. CODE. ANN. §§ 26-57-260-261 (2017).
California	CAL. HEALTH & SAFETY CODE §§ 104555-104558 (2017).
Connecticut	CONN. GEN. STAT. ANN. §§ 4-28H-J (2017).
D.C.	D.C. CODE ANN. §§ 7-1801.01-02 (2017).
Georgia	GA. CODE ANN. §§ 10-13-1-4 (2017).
Indiana	IN. CODE §§ 24-3-3-1-14 (2017).
Kansas	KAN. STAT. ANN. §§ 50-6a01-6a03 (2017).
Kentucky	KY. REV. STAT. §§ 131.600-602 (2017).
Louisiana	LA. REV. STAT. ANN. §§ 13:5061-5063 (2017).
Michigan	MICH. COMP. LAWS §§ 445.2051-2052 (2017).
Nebraska	NEB. REV. STAT. §§ 69-2701-2703 (2017).
Nevada	NEV. REV. STAT. §§ 370A.010-170 (2017).
New Hampshire	N.H. REV. STAT. ANN. §§ 541-C:1-3 (2017).
New Jersey	N.J. STAT. ANN. §§ 52:4D-1-3.2 (2017).
North Carolina	N.C. GEN. STAT. §§ 66-290-291 (2017).
Oklahoma	OKLA. STAT. tit. 37, §§ 600.21-23 (2017).

Signatory State	Escrow Statute
Oregon	OR. REV. STAT. §§ 323.800–323.806 (2016), <i>amended by</i> 2017 Or. Laws 687 (H.B. 3461) (effective August 8, 2017) and 2017 Or. Laws 315 (S.B. 148) (effective January 1, 2018).
Rhode Island	R.I. GEN. LAWS §§ 23-71-1–3 (2017).
South Carolina	S.C. CODE ANN. §§ 11-47-10–40 (2017).
Tennessee	TENN. CODE ANN. §§ 47-31-101–103 (2017).
Virginia	VA. CODE ANN. §§ 3.2-4200–4201 (2017).
West Virginia	W. VA. CODE §§ 16-9B-1–4 (2017).
Wyoming	WYO. STAT. ANN. §§ 9-4-1201–1202 (2017).
Puerto Rico	P.R. LAWS ANN. tit. 24, §§ 15001–15004 (2010).

**EXHIBIT D**

**2003 CONTESTED SIGNATORY STATES WHOSE  
DILIGENT ENFORCEMENT WAS NOT DETERMINED**

Alabama
Arizona
Arkansas
California
Connecticut
D.C.
Georgia
Kansas
Louisiana
Michigan
Nebraska
Nevada
New Hampshire
North Carolina
Oklahoma
South Carolina
Tennessee
Virginia
West Virginia
Puerto Rico

**EXHIBIT E**

**2003 UNCONTESTED STATES**

Alaska
Delaware
Hawaii
Idaho
Massachusetts
Montana
New Jersey
Rhode Island
South Dakota
Utah
Vermont
Wisconsin
Wyoming
American Samoa
Guam
Northern Mariana Islands
Virgin Islands



## EXHIBIT F

### SUBSEQUENT PARTICIPATING MANUFACTURER PAYMENTS FOR THE 2003-2012 NPM ADJUSTMENTS

I. The provisions of this Exhibit F shall govern SPM payments for the 2003-2012 NPM Adjustments, notwithstanding any contrary or contradictory provisions in the Settlement Agreement to which this Exhibit is attached, and shall also govern if the Settlement Agreement is silent on a matter addressed in this Exhibit F.<sup>1</sup>

#### II. SPM Projected Settlement Amounts

The Signatory Parties have determined by agreement the value of the settlement amounts to be received by the Signatory SPMs under the Settlement Agreement. Generally, the projected settlement amounts are equal to (i) the total Potential Maximum NPM Adjustment for each of the years 2003-2009, as determined by the Independent Auditor prior to the execution of the Term Sheet settlement agreement, multiplied by (ii) an agreed cumulative Interest factor, applied to all years 2003-2009, equal to 1.128090288, except that no cumulative Interest factor is applied to the Potential Maximum NPM Adjustment amounts for SPM Farmers Tobacco Co. of Cynthiana, plus (iii) the total Potential Maximum NPM Adjustment for each of the years 2010-2012, as determined by the Independent Auditor in the last revised calculations for the year prior to the date on which the applicable settlement amounts were agreed upon by the parties.

The resulting total IX(c)(1) and IX(c)(2) NPM Adjustment amounts are then multiplied by (iv) the IX(c)(1) Allocated Settlement Percentage and IX(c)(2) Allocated Settlement Percentage for each Signatory State, respectively, as set forth in Exhibit A of the Settlement Agreement for the States that became Signatory States prior to April 15, 2013 and States that became Signatory States between April 15, 2013 and the end of individual State hearings in the 2003 arbitration and as set forth in Exhibits G-J to the Settlement Agreement for the States that became Signatory States after the end of the individual state hearings in the 2003 arbitration and before the Effective Date.

Chart F.1, below, shows the projected settlement amounts for each SPM with respect to the Signatory States:

**Chart F.1: Projected Settlement Amounts**

SPM	Signatory States Prior to April 15, 2013	Connecticut and South Carolina	Indiana and Kentucky	Oregon and Rhode Island
Commonwealth Brands, Inc.	\$58,290,220.62	\$4,271,659.01	\$9,890,401.22	\$2,406,384.77
Compania Industrial de Tabacos Monte Paz, S.A.	\$151,491.36	\$11,329.21	\$17,576.75	\$7,135.69
Daughters and Ryan, Inc.	\$59,430.37	\$4,367.69	\$8,682.52	\$2,554.34
Ets L Lacrois Fils NV S.A.	\$0.00	\$0.00	\$0.00	\$0.00

<sup>1</sup> All payments for 2013, 2014, and later sales years are addressed elsewhere in the Agreement and its exhibits, except as specifically noted herein.

<b>SPM</b>	<b>Signatory States Prior to April 15, 2013</b>	<b>Connecticut and South Carolina</b>	<b>Indiana and Kentucky</b>	<b>Oregon and Rhode Island</b>
Farmers Tobacco Co. of Cynthiana	\$5,259,398.38	\$384,579.41	\$1,028,740.38	\$206,735.19
House of Prince A/S	\$1,003,937.35	\$70,756.83	\$656,172.50	\$79.37
Imperial Tobacco Limited/ITL (UK)	\$0.00	\$0.00	\$0.00	\$0.00
Imperial Tobacco Mullingar (Ireland)	\$0.00	\$0.00	\$0.00	\$0.00
Imperial Tobacco Polska S.A. (Poland)	\$0.00	\$0.00	\$0.00	\$0.00
Imperial Tobacco Production Ukraine	\$0.00	\$0.00	\$0.00	\$0.00
Imperial Tobacco Sigara ve Tutunculuk Sanayi Ve Ticaret S.A. (Turkey)	\$0.00	\$0.00	\$0.00	\$0.00
ITG Brands, LLC	\$1,280,873.36	\$96,217.40	\$138,626.76	\$62,276.16
Japan Tobacco International U.S.A., Inc.	\$1,653,815.46	\$122,699.22	\$285,636.22	\$69,760.17
King Maker Marketing, Inc.	\$1,760,385.11	\$128,897.83	\$344,927.52	\$68,508.73
Kretek International	\$263,267.13	\$19,101.43	\$41,562.23	\$10,172.84
Liggett Group LLC	\$17,455,722.56	\$1,293,380.75	\$3,017,103.62	\$726,888.22
OOO Tabaksfabrik Reemtsma Wolga (Russia)	\$0.00	\$0.00	\$0.00	\$0.00
P.T. Djarum	\$917,415.52	\$66,849.56	\$150,536.81	\$37,593.00
Peter Stokkebye Tobakfabrik A/S	\$315,255.57	\$22,641.19	\$74,933.27	\$10,839.38
Premier Manufacturing, Inc.	\$1,357,160.93	\$101,958.39	\$145,050.73	\$64,984.04
Reemtsma Cigarettenfabriken GmbH (Germany)	\$61.48	\$4.33	\$6.49	\$2.67
Santa Fe Natural Tobacco Company, Inc.	\$8,855,027.99	\$659,047.60	\$1,172,570.27	\$404,567.91
Scandinavian Tobacco Group Lane Ltd.	\$299,388.39	\$22,317.34	\$32,222.36	\$14,355.04
SEITA	\$0.00	\$0.00	\$0.00	\$0.00
Sherman's 1400 Broadway N.Y.C.,LLC	\$259,406.59	\$19,066.07	\$44,773.60	\$10,696.13
TABESA	\$555,742.67	\$41,882.77	\$60,016.14	\$27,024.40

SPM	Signatory States Prior to April 15, 2013	Connecticut and South Carolina	Indiana and Kentucky	Oregon and Rhode Island
Top Tobacco, L.P.	\$2,909,913.53	\$212,211.30	\$469,684.56	\$120,086.30
U.S. Flue-Cured Tobacco Growers, Inc.	\$726,116.79	\$54,511.61	\$78,110.04	\$35,015.54
Vector Tobacco Inc.	\$691,770.69	\$51,539.71	\$74,033.76	\$32,802.43
Von Eicken Group	\$28,710.69	\$2,097.43	\$5,083.08	\$1,154.48
Wind River Tobacco Company, LLC	\$38,101.77	\$2,845.28	\$4,081.95	\$1,816.60
Total	\$104,132,614.31	\$7,659,961.36	\$17,740,532.78	\$4,321,433.36

### III. SPM Receipt of Projected Settlement Amounts

A. No Projected Settlement Amounts. A number of SPMs joining the Settlement Agreement had no projected settlement amounts for the years 2003-2012. These SPMs neither received settlement credits from the Signatory States nor made additional payments or releases to the Signatory States. These Signatory SPMs are: Ets L Lacrois Fils NV S.A., Imperial Tobacco Limited/ITL (UK), Imperial Tobacco Mullingar (Ireland), Imperial Tobacco Polska S.A. (Poland), Imperial Tobacco Production Ukraine, Imperial Tobacco Sigara ve Tutunculuk Sanavi Ve Ticaret S.A. (Turkey), OOO Tobaksfabrik Reemtsma Wolga (Russia), and SEITA.

#### B. Transferrable Settlement Credits.

1. A number of SPMs joining the Settlement Agreement elected to receive their projected settlement amounts for the years 2003-2012 in the form of transferrable settlement credits applicable in the first instance to the first Annual Payment following the Signatory States' respective joinders to the Term Sheet. SPMs that elected to receive such settlement credits could apply those credits against their Annual Payment obligation or, pursuant to Settlement Agreement subsection IX.K, transfer such credits to another PM, or carry forward those settlement credits and apply them against future payment obligations. These Signatory SPMs are: Commonwealth Brands, Inc. (with respect to the projected settlement amounts from Indiana, Kentucky, Oregon and Rhode Island only), Compania Industrial de Tabacos Monte Paz, S.A., Daughters & Ryan, Inc., House of Prince A/S, ITG Brands, LLC (with respect to the projected settlement amounts from Indiana, Kentucky, Oregon and Rhode Island only), Japan Tobacco International U.S.A., Inc., King Maker Marketing, Inc., Kretek International, Scandinavian Tobacco Group Lane Limited, P.T. Djarum, Peter Stokkebye Tobaksfabrik, Premier Manufacturing, Inc., Reemtsma Cigarettenfabriken GmbH (Germany), , Sherman 1400 Broadway N.Y.C., LLC, Tabacalera del Este, S.A. (TABESA), Top Tobacco, L.P., U.S. Flue-Cured Tobacco Growers, Inc., Von Eicken Group, and Wind River Tobacco Company, LLC.

2. Each of these SPMs has received transferrable settlement credits as set forth in the Settlement Agreement in the amounts determined by the Independent Auditor. The settlement credits related to the projected settlement amounts for the Signatory States that became Signatory States prior to April 15, 2013 were determined by

the Independent Auditor in connection with the April 15, 2013 Annual Payment. The settlement credits related to the projected settlement amounts for the Signatory States that became Signatory States between April 15, 2013 and the end of individual State hearings in the 2003 arbitration (i.e. Connecticut and South Carolina) were determined by the Independent Auditor in connection with the April 15, 2014 Annual Payment. Certain NPM Adjustment-related credits had already been determined by the Independent Auditor with respect to the 2003 NPM Adjustment for Indiana and Kentucky and applied against the April 15, 2014 Annual Payment prior to Indiana and Kentucky becoming Signatory States. Additional settlement credits, representing the difference between the projected settlement amounts for Indiana and Kentucky and the 2003 NPM Adjustment credit amounts already applied, were determined by the Independent Auditor in connection with the April 15, 2015 Annual Payment.<sup>2</sup> The settlement credits related to the projected settlement amounts for the other two Signatory States that became Signatory States after the end of the individual State hearings in the 2003 arbitration and before the Effective Date (i.e. Oregon and Rhode Island) were determined by the Independent Auditor in connection with the April 17, 2017 Annual Payment. As of the Effective Date, all such settlement credits so far determined have been applied or transferred pursuant to Settlement Agreement subsection IX.K.<sup>3</sup>

C. Percentage Reduction Credits. Certain SPMs elected to receive certain of their SPM projected settlement amounts over several years under an agreed percentage reduction credit protocol, see Settlement Agreement subsections III.A.4-9, III.C.2(b), III.D.3, as credits of 30% of the applicable settlement amount in the first available payment year and the remainder as percentage reductions over the three following years.<sup>4</sup> These Signatory SPMs are:

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<sup>2</sup> The Independent Auditor's calculations for the April 15, 2014 Annual Payment included a credit of \$807,360.17 for House of Prince with respect to the 2003 NPM Adjustment allocable to Indiana and Kentucky. House of Prince, Indiana, and Kentucky subsequently agreed to reduce this amount as part of the calculation of a projected settlement amount for these Signatory States. House of Prince transferred the value of the resulting transferrable settlement credit to Commonwealth Brands, Inc. (along with House of Prince's other transferrable settlement credits), and Commonwealth Brands, Inc. applied the net credit amount against its April 15, 2015 Annual Payment obligation.

<sup>3</sup> Two SPMs, King Maker Marketing and Monte Paz, have disputed the Independent Auditor's determination not to permit these SPMs to apply a portion of the settlement credits they were not able to apply against payments in April 2013 against payments in April 2014 on the grounds that those SPMs could not use the full amount of their carryforward credits until the SPMs released amounts deposited in the Disputed Payments Account in connection with NPM adjustment disputes with the Non-Signatory States. King Maker Marketing withheld \$58,125.73 with respect to this dispute from its payments for April 2016, as noted in its payment letter of March 31, 2016. The parties agree that the SPMs should be able to use the full amount of their settlement credits and will jointly instruct the Independent Auditor to permit use of such credits, including with respect to King Maker Marketing's withheld amount, in the April 2018 payment cycle.

<sup>4</sup> Absent other agreement by the parties, the SPM Percentage Reduction for each such SPM for the applicable year has been determined as follows: (i) by December 1 of the year before the year in which the applicable SPM Percentage Reduction is to be applied, a percentage shall be derived so that such percentage, when multiplied by the Estimated MSA Payment for OPMs for the year in question as defined in Settlement Agreement subsection III(A)(8), produces a dollar amount which is equal to 23.333333% of the SPM's projected settlement amount as set forth in Chart F.1 above; (ii) the percentage determined in step (i) for each SPM shall be applied to the payment due from the OPMs pursuant to MSA Section IX(c)(1) on the payment due date of the applicable year; (iii) the amount derived in step (ii) shall be increased by interest accruing at the Prime Rate from April 15, 2013 (or the relevant date under the particular Signatory State joinder to the Term Sheet at issue) to the payment due date of the year in which

Commonwealth Brands, Inc. (with respect to the projected settlement amounts from the Signatory States that became Signatory States before the end of individual State hearings in the 2003 arbitration); ITG Brands, LLC (with respect to the projected settlement amounts from the Signatory States that became Signatory States before the end of individual State hearings in the 2003 arbitration); and Santa Fe Natural Tobacco Co., Inc. (with respect to all projected settlement amounts). The initial credits and percentage reduction credits for each of the SPMs have been determined by agreement between the SPMs that are Signatory Parties and Signatory States and have been applied as of the Effective Date, except: (i) the 2017 percentage reduction credits for each of these SPMs from Connecticut have been determined, but remain to be applied along with applicable interest at the Prime Rate from April 17, 2017 to April 16, 2018; (ii) the 2018 percentage reduction credits to Santa Fe Natural Tobacco Company from Indiana and Kentucky have not been determined and remain to be applied along with applicable interest at the Prime Rate from April 15, 2014 to April 16, 2018; and (iii) the 2018-2020 percentage reduction credits to Santa Fe Natural Tobacco Company from Oregon and Rhode Island have not been determined and remain to be applied along with applicable interest at the Prime Rate from April 17, 2017 to the date of payment.

D. Settlement Payments. (1) Certain SPMs—Liggett Group LLC (“Liggett”), Vector Tobacco Inc. (“Vector Tobacco”), and Farmers Tobacco of Cynthiana, Inc. (“Farmers”) (collectively, the “withholding SPMs”)—withheld funds for NPM Adjustments for various years from 2003 to 2012.<sup>5</sup> These previously withheld amounts are set forth in Chart F.2, below:

**Chart F.2: Previously Withheld Amounts**

<u>Liggett Group LLC</u>			
Year	IX(c)(1)	IX(c)(2)	Total
2003	0.00	0.00	0.00
2004	5,317,552.55	0.00	5,317,552.55
2005	1,599,181.96	0.00	1,599,181.96
2006	3,736,311.54	0.00	3,736,311.54
2007	3,603,198.82	381,171.42	3,984,370.24
2008	5,139,819.75	543,725.86	5,683,545.61
2009	6,207,692.13	656,692.83	6,864,384.96
2010	15,295,246.32	1,618,037.48	16,913,283.80
2011	0.00	0.00	0

the relevant percentage reduction is applied, without any deduction otherwise reflected in Settlement Agreement subsection III(A)(9); and (iv) the amount derived in step (iii) shall be subtracted from the SPM’s Section IX(c)(1) payment for the applicable year. (The dollar amount due to each SPM as a result of the application of the SPM Percentage Reduction shall not change notwithstanding any subsequent revision to or recalculation of the aggregate OPM payment amount by the Independent Auditor.)

<sup>5</sup> Liggett and Vector Tobacco also placed funds in the Disputed Payments Account for certain years between 2003 and 2012 and released the Signatory States’ allocable shares of such funds to the Signatory States in accordance with the Settlement Agreement.

<b>Liggett Group LLC</b>			
<b>Year</b>	<b>IX(c)(1)</b>	<b>IX(c)(2)</b>	<b>Total</b>
2012	0.00	0.00	0.00
<b>Total</b>	<b>40,899,003.07</b>	<b>3,199,627.59</b>	<b>44,098,630.66</b>

<b>Vector Tobacco Inc.</b>			
<b>Year</b>	<b>IX(c)(1)</b>	<b>IX(c)(2)</b>	<b>Total</b>
2003	0.00	0.00	0.00
2004	0.00	0.00	0.00
2005	0.00	0.00	0.00
2006	469,499.67	0.00	469,499.67
2007	0.00	0.00	0.00
2008	397,747.88	42,076.54	439,824.42
2009	836,797.50	88,522.26	925,319.76
2010	714,410.59	75,575.32	789,985.91
2011	0.00	0.00	0.00
2012	0.00	0.00	0.00
<b>Total</b>	<b>2,418,455.64</b>	<b>206,174.12</b>	<b>2,624,629.76</b>

<b>Farmers Tobacco Company<sup>6</sup></b>			
<b>Year</b>	<b>IX(c)(1)</b>	<b>IX(c)(2)</b>	<b>Total</b>
2003	\$4,185,243.25	\$0.00	\$4,185,243.25
2004	\$3,588,743.91	\$0.00	\$3,588,743.91
2005	\$2,224,528.65	\$0.00	\$2,224,528.65
2006	\$2,192,500.22	\$0.00	\$2,192,500.22
2007	\$1,641,647.99	\$173,664.94	\$1,815,312.93
2008	\$2,576,071.35	\$272,514.74	\$2,848,586.09
2009	\$2,869,998.55	\$303,608.40	\$3,173,606.95
2010	\$1,517,017.03	\$182,338.64	\$1,699,355.67

<sup>6</sup> In April 2011, Farmers withheld from its IX(c)(1) and IX(c)(2) Annual Payments Potential Maximum NPM Adjustment amounts for 2003-2009, as attributable to all Settling States. In April 2013, Farmers withheld \$3,499,688.55 from its IX(c)(1) Annual Payment and \$420,646.87 from its IX(c)(2) Annual Payment, which represent the Potential Maximum NPM Adjustment amounts attributable to then-Non-Signatory States, including subsequent Signatory States Connecticut, South Carolina, Kentucky, Indiana, Rhode Island, and Oregon.

<b>Farmers Tobacco Company<sup>6</sup></b>			
<b>Year</b>	<b>IX(c)(1)</b>	<b>IX(c)(2)</b>	<b>Total</b>
2011	\$1,052,027.18	\$126,448.95	\$1,178,476.13
2012	\$930,644.34	\$111,859.28	\$1,042,503.62
<b>Total</b>	<b>\$22,778,422.47</b>	<b>\$1,170,434.95</b>	<b>\$23,948,857.42</b>

The withholding SPMs received no credits or percentage reductions for their projected settlement amounts for 2003-2012 other than the 2003 NPM Adjustment-related offsets/credits already received from Indiana and Kentucky in connection with the April 15, 2014 payment. Instead, the withholding SPMs received the value of such projected settlement amounts by retaining such amounts from the Signatory States' IX(c)(1) Allocable Share and IX(c)(2) Allocable Share of previously withheld amounts. To effectuate the settlement, the withholding SPMs netted such projected settlement amounts (plus any applicable credits for 2013-2015) against the Signatory States' IX(c)(1) Allocable Share and IX(c)(2) Allocable Share of previously withheld amounts, and deposited the excess of such previously withheld amounts, plus agreed-upon interest,<sup>7</sup> into the Disputed Payments Account for release to the applicable Signatory State.

(2) (i) The withholding SPMs have made settlement payments into the Disputed Payments Account for the benefit of the Signatory States that became Signatory States prior to April 15, 2013 as set forth in Chart F.3:

**Chart F.3: Amounts Placed in DPA for States That Became Signatory States Prior to April 15, 2013**

	<b>IX(c)(1) Amount Deposited Into DPA for Release</b>	<b>IX(c)(2) Amount Deposited Into DPA for Release</b>	<b>Total Amount Deposited Into DPA for Release</b>
Liggett	2,586,565.66	168,977.05	2,755,542.71
Vector Tobacco	488,366.36	33,139.98	521,506.34
Farmers	3,263,845.06	37,368.49	3,301,213.56

(ii) The withholding SPMs have made settlement payments into the Disputed Payments Account for the benefit of Connecticut and South Carolina as set forth in Chart F.4:

**Chart F.4: Amounts Placed in DPA for CT and SC**

	<b>IX(c)(1) Amount Deposited Into DPA for Release</b>	<b>IX(c)(2) Amount Deposited Into DPA for Release</b>	<b>Total Amount Deposited Into DPA for Release</b>
Liggett	182,298.12	22,253.48	204,551.60
Vector Tobacco	34,419.51	4,364.38	38,783.89

<sup>7</sup> For Liggett and Vector Tobacco, the parties agreed that cumulative interest would be calculated by multiplying the Signatory States' Allocable Share of the amounts withheld by 1.128090288, i.e., the same interest factor applied to the 2003-2009 NPM Adjustment amounts. For Farmer's, the parties agreed no interest factor would be applied either to the NPM Adjustment claims or to the Signatory States' Allocable Share of the amounts withheld.

	<b>IX(c)(1) Amount Deposited Into DPA for Release</b>	<b>IX(c)(2) Amount Deposited Into DPA for Release</b>	<b>Total Amount Deposited Into DPA for Release</b>
Farmers	230,032.25	4,921.26	234,953.51

(iii) The withholding SPMs have made settlement payments into the Disputed Payments Account for the benefit of Indiana and Kentucky as set forth in Chart F.5:

**Chart F.5: Amounts Placed in DPA for IN and KY**

<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
<b><u>SPM</u></b>	<b>IX(c)(1) Amount Deposited Into DPA for Release</b>	<b>IX(c)(2) Amount Deposited Into DPA for Release</b>	<b>Total Deposited into DPA for Release</b>
Liggett	319,595.06	0.00	319,595.06
Vector Tobacco	21,963.74	1,391.91	23,355.65
Farmers	649,673.22	20,267.98	669,941.19

(iv) Farmers made settlement payments into the Disputed Payments Account for the benefit of Oregon and Rhode Island as set forth in Chart F.6. The projected settlement amounts from Liggett and Vector Tobacco plus applicable credits for 2013-2015 received from Oregon and Rhode Island did not result in an additional net payment from Liggett and Vector Tobacco for the benefit of those states, so no deposit into the Disputed Payments Account was required.

**Chart F.6: Amounts Placed in DPA for OR and RI**

<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
<b><u>SPM</u></b>	<b>IX(c)(1) Amount Deposited Into DPA for Release</b>	<b>IX(c)(2) Amount Deposited Into DPA for Release</b>	<b>Total Deposited into DPA for Release</b>
Farmers	\$206,225.97		\$206,225.97

(3) The Signatory States agree that their respective IX(c)(1) and IX(c)(2) Allocation Percentages of the Potential Maximum NPM Adjustment amounts previously withheld by a withholding SPM pursuant to Master Settlement Agreement subsection XI(d)(6) are discharged (along with any interest accrued) by a satisfactory settlement payment from such withholding SPM under the Settlement Agreement and this Exhibit F. All amounts previously withheld with respect to the 2003-2012 NPM Adjustments are not and should not be considered an “underpayment” by the Independent Auditor and should not accrue interest pursuant to Master Settlement Agreement Section IX(h) (or any other rate). The Signatory States and Liggett, Vector Tobacco, and Farmers shall jointly direct the Independent Auditor if necessary to reflect in all appropriate calculation or summaries that the total amounts shown in the Independent Auditor’s calculations and summaries as withheld or unpaid (along with any interest accrued on such amounts) should have been reduced by the Signatory States’ Allocable Share and IX(c)(2) Allocable Share of such amounts.



E. Prior election to receive transferrable settlement credits does not alter an SPM's right to elect to receive its projected settlement amounts in another form consistent with the Settlement Agreement in connection with the projected settlement amounts from any Subsequent-Joining Signatory State.

**EXHIBIT G**

**INDIANA JOINDER LETTER**

Signatory State	Date of Sign-On
Indiana	June 26, 2014



STATE OF INDIANA  
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**GREG TABBALA**  
 INDIANA ATTORNEY GENERAL

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June 26, 2014

Via Electronic and U.S. Mail

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 Counsel for Farmers Tobacco of Cynthiana Inc.  
 and Wind River Tobacco Co. LLC

Re: Settlement of NPM Adjustment disputes

Dear Counsel:

This will confirm our agreement that the State of Indiana and the listed Participating Manufacturers (the "PMs"<sup>1</sup>) have agreed to settle NPM Adjustment disputes on the terms set forth in the November 14, 2012 Term Sheet for settlement of NPM Adjustment disputes ("Term Sheet") and

<sup>1</sup> The PMs are those listed in footnote 4 of the Stipulated Award, Tabacalera del Este, S.A. (TABESA), U.S. Flue-Cured Tobacco Growers Inc., and Wind River Tobacco Company LLC.

reflected in the March 12, 2013 Stipulated Partial Settlement and Award ("Stipulated Award"), except as follows.

1. The provisions of Section IA.2 of the Term Sheet and Paragraphs 1-2 of Appendix A to the Term Sheet are modified as follows. The OPMs will receive from Indiana a total amount equal to (a) 65% of Indiana's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of Indiana's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings. The amount in clause (a) equals \$67,708,226.20. The amount in clause (b) equals \$86,231,085.24. The total of such amounts is \$153,939,311.44.

2. It is recognized that \$83,333,201.48 of the amount under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) was conferred on the OPMs by means of an offset and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA. Accordingly, the amount under Paragraph 1 will be conferred on the OPMs in the manner provided in Paragraph 3 of Appendix A to the Term Sheet with the following modifications: (i) within 14 days of this agreement, R.J. Reynolds Tobacco Co. will pay \$24,802,724.30 to Indiana; (ii) the OPMs will retain the remainder of the \$83,333,201.48; (iii) the OPMs will receive a credit against the MSA annual payment due to Indiana on April 15, 2015 in the amount of \$18,439,178.54 (plus interest at the Prime Rate calculated from April 15, 2014), with the credit to be allocated between Philip Morris USA and Lorillard in the manner they direct; and (iv) the OPMs will receive the percentage reductions as to Indiana under Paragraphs 3(A)(ii) and 3(B) of Appendix A to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2018 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014).

3. Indiana will receive releases of its Allocable Share of the OPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 5 of Appendix A to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to OPMs); (ii) amounts attributable to the 2010-2011 NPM Adjustments will be included; and (iii) Indiana may choose to have these DPA releases spread over 2014-2018. The total of Indiana's Allocable Share of the OPMs' NPM Adjustment amounts in the DPA attributable to the 2004-2011 NPM Adjustments is approximately \$99.6 million plus earnings. This amount shall be released to Indiana from the DPA on the following schedule (assuming the Independent Auditor has provided the confirmation specified in Paragraph 5 of Appendix A to the Term Sheet before the specified dates): \$38 million in 2015; \$19 million in 2016; \$19 million in 2017; and the remainder in 2018. Indiana's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2012 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The process for payments to the SPMs set forth in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award governs, except that the reference to the same (*i.e.*, no greater) relative payment amounts refers to the payment amounts set forth in Paragraph 1 above and the reference to the same general timetable refers to the timetable set forth in Paragraph 2 above. The amounts for the SPMs paralleling the amounts for OPMs in the last sentence of Paragraph 1 above are included in the SPM Addendum hereto, along with provisions parallel to Paragraph 2 with respect to crediting amounts already conferred net of reimbursement paid and Paragraph 3 with respect to release of Indiana's share of DPA amounts.

5. Indiana's payment for the 2013 transition year under Section ILC of the Term Sheet is \$4,289,303.31 to the OPMs and \$276,802.54 to the listed SPMs. Because the 2014 MSA payment date to which these payments would have been applied as offsets under the Term Sheet has passed, they will instead be applied as offsets in connection with the MSA payment due April 15, 2015 (in addition to offsets arising from payments, if any, due from Indiana under Section II.B of the Term Sheet as to 2013 and under Section ILC of the Term Sheet as to 2014).

6. Section I.B of the Term Sheet will not apply to Indiana.

7. Indiana and the PMs believe that Indiana's settlement is to give rise to the same method of reduction in the 2004-12 NPM Adjustments that may be applied to Non-Signatory States as does the settlement of the Settling States that became Signatory States prior to the issuance of the 2003 Arbitration Panel's September 11, 2013 Final Awards (the "Initial Signatory States"). The following will apply with respect to any argument or ruling to the contrary.

(a) The PMs will oppose any argument to the contrary. Indiana will cooperate to the extent reasonably requested by the PMs in connection with their opposition; provided, however, that such cooperation will not include Indiana's disclosing to the PMs confidential or privileged information that Indiana received from another Settling State before the date of this agreement under a joint-defense agreement concerning an NPM Adjustment dispute.

(b) If the 2004 Arbitration Panel (or any other tribunal or court) nonetheless rules that Indiana's settlement gives rise to a different method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States than does the settlement of the Initial Signatory States, the following will apply.

(i) Indiana will pay to the OPMs an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Indiana's settlement; or (B) \$35 million. That amount would be paid as an offset against the OPMs' annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid. Parallel provisions for the listed SPMs are included in the SPM Addendum hereto. In the event that an offset due under this subparagraph could not be credited without exceeding Indiana's share of the relevant companies' payment under Section IX(c) of the MSA for the year in question, the offset will carry forward with interest at the Prime Rate. The final settlement agreement referenced in Paragraph 8 will include provisions specifying the operation and order of the offset.

(ii) If there is a ruling as to the 2004 NPM Adjustment described in the introductory sentence of this subparagraph (b), both that introductory sentence and the entirety of subparagraph (b)(i) would apply to the 2005 NPM Adjustment as well, with any amounts owed being in addition to those owed with respect to the 2004 NPM Adjustment. However, if the 2004 Arbitration Panel rules that Indiana's settlement gives rise to the same method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States as does the settlement of the Initial Signatory States and that ruling is not vacated or modified in such a way as results in a ruling described in the introductory sentence of this subparagraph (b), then the provisions of

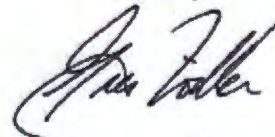
subparagraph (b)(ii) shall not apply in any subsequent NPM Adjustment arbitration. In no event are the provisions of Paragraph 7 applicable to any other NPM Adjustment arbitration other than the 2004 NPM Adjustment and the 2005 NPM Adjustment.

8. The final settlement agreement as referenced in Section IV.F of the Term Sheet will reflect the provisions set forth above as to Indiana. The PMs will allow Indiana to participate in the completion of the drafting of the final settlement agreement along with the other Signatory States.

9. If a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003 NPM Adjustment as to that State (including, but not limited to, if the settlement also settles any or all of the 2004-2012 NPM Adjustments) and the settlement contains overall terms more relatively favorable to that State than the terms set forth above as to Indiana, then the overall terms of this agreement will be revised as to that PM so that Indiana will obtain with respect to that PM overall terms substantially equal (on an Allocable Share basis) to those obtained by that State in all respects, including but not limited to the financial terms of the agreement. For example, if a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003-2012 NPM Adjustments and provides for the PM to receive any less for those Adjustments than the total of (a) 65% of the non-diligent State's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of the non-diligent State's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings, this agreement shall be revised as to that PM so that Indiana will obtain the same percentages. Furthermore, if a PM settles with a State that was found to be non-diligent for 2003 on terms with respect to the subject matter of Paragraph 7 of this agreement that are more favorable to that State (on an Allocable Share basis) than the terms of Paragraph 7, this agreement shall be promptly revised as to that PM so that Indiana will also obtain the same terms (on an Allocable Share basis).

10. All capitalized terms not otherwise defined herein have the meaning given those terms in the MSA, the Term Sheet or the Stipulated Award.

Sincerely,



Gregory F. Zoeller  
Attorney General

### SPM ADDENDUM TO INDIANA LETTER

1. Pursuant to Paragraph 1 of the letter to which this SPM Addendum is attached, each SPM shall receive the following amounts under clause (a) and clause (b) of Paragraph 1 and in total from Indiana pursuant to the settlement:

SPM	Clause (a)	Clause (b)	Total
Commonwealth Brands, Inc.	2,350,013.59	3,032,909.32	5,382,922.92
Monte Paz	846.19	8,886.74	9,732.93
Daughters & Ryan, Inc.	1,521.30	3,219.79	4,741.10
Farmers Tobacco Co.	297,855.28	260,630.21	558,485.49
House of Prince A/S	352,034.69	103.42	352,138.11
Japan Tobacco International U.S.A., Inc.	69,237.44	86,885.06	156,122.50
King Maker Marketing, Inc.	101,003.79	86,310.65	187,314.44
Kretek International	9,523.76	12,930.58	22,454.34
Lane Limited	0.00	17,856.20	17,856.20
Liggett Group LLC	730,187.96	918,176.41	1,648,364.36
Lignum-2, Inc.	0.00	77,152.11	77,152.11
Peter Stokkebye Tobaksfabrik A/S	26,536.90	13,870.87	40,407.77
Premier Manufacturing, Inc.	0.00	80,730.17	80,730.17
P.T. Djarum	34,105.28	47,679.11	81,784.39
Reemtsma Cigarettenfabriken GmbH	0.00	3.48	3.48
Santa Fe Natural Tobacco Company, Inc.	141,298.81	504,119.24	645,418.05
Sherman 1400 Broadway N.Y.C., Inc.	10,943.73	13,444.22	24,387.95
TABESA	0.00	33,463.16	33,463.16
Top Tobacco, L.P.	103,086.04	152,220.17	255,306.21
U.S. Flue-Cured Tobacco Growers, Inc.	0.00	43,456.27	43,456.27
Vector Tobacco Inc.	0.00	41,010.07	41,010.07
Von Eicken Group	1,312.10	1,459.10	2,771.19
Wind River Tobacco Company, LLC	0.00	2,264.12	2,264.12
<b>Total</b>	<b>4,229,506.87</b>	<b>5,438,780.47</b>	<b>9,668,287.34</b>

2. (a) It is recognized that the following amounts under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) were conferred on the SPMs by means of offsets and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA:

SPM	Amount Already Received by SPM
Commonwealth Brands, Inc.	2,892,324.42
Monte Paz	1,041.47
Daughters & Ryan, Inc.	1,872.37
Farmers Tobacco Co.	144,569.96 <sup>2</sup>

<sup>2</sup> Represents interest amounts taken as an offset against April 2014 payment. See also Paragraph 2(b)(v).

House of Prince A/S	433,273.47 <sup>3</sup>
Japan Tobacco International U.S.A., Inc.	85,215.32
King Maker Marketing, Inc.	124,312.36
Kretek International	11,721.55
Lane Limited	0.00
Liggett Group LLC	898,692.87
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	32,660.80
Premier Manufacturing, Inc.	0.00
P.T. Djarum	41,975.73
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	173,906.23
Sherman 1400 Broadway N.Y.C., Inc.	13,469.21
TABESA	0.00
Top Tobacco, L.P.	126,875.12
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	1,614.89
Wind River Tobacco Company, LLC	0.00
<b>Total</b>	<b>4,983,525.76</b>

(b) Accordingly, the remaining amounts under Paragraph 1 will be conferred on the SPMs in the manner provided in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award with the following modifications:

- (i) Each SPM will retain the amount already received in Paragraph 2(a), except that the credit of \$433,273.47 that remains for House of Prince to carry forward or transfer with respect to Indiana shall be reduced by \$81,135.35 to reflect House of Prince's total settlement amount of \$352,138.11;
- (ii) The following SPMs will receive a credit against the MSA annual payment due to Indiana on April 15, 2015 in the amount set out below (plus interest at the Prime Rate calculated from April 15, 2014), with the provisions in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award regarding carry forward and/or transfer of SPM credits governing as applicable:

SPM	Credit Amount
Commonwealth Brands, Inc.	2,490,598.50
Monte Paz	8,691.46
Daughters & Ryan, Inc.	2,868.72
Farmers Tobacco Co.	0.00
House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	70,907.19

<sup>3</sup> House of Prince's 2003 NPM Adjustment credit was not used against a payment or transferred, so remains available for carry forward and/or transfer.



King Maker Marketing, Inc.	63,002.08
Kretek International	10,732.79
Lane Limited	17,856.20
Liggett Group LLC	0.00
Lignum-2, Inc.	77,152.11
Peter Stokkebye Tobaksfabrik A/S	7,746.97
Premier Manufacturing, Inc.	80,730.17
P.T. Djarum	39,808.66
Reemtsma Cigarettenfabriken GmbH	3.48
Santa Fe Natural Tobacco Company, Inc.	19,719.18
Sherman 1400 Broadway N.Y.C., Inc.	10,918.74
TABESA	33,463.16
Top Tobacco, L.P.	128,431.09
U.S. Flue-Cured Tobacco Growers, Inc.	43,456.27
Vector Tobacco Inc.	0.00
Von Eicken Group	1,156.30
Wind River Tobacco Company, LLC	2,264.12
<b>Total</b>	<b>3,109,507.21</b>

- (iii) Santa Fe Natural Tobacco Company, Inc. will receive the percentage reductions as to Indiana under Paragraph 4(iii) of the SPM Addendum to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2017 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014);
- (iv) Indiana's Allocable Share of the amount that Liggett Group LLC ("Liggett") and Vector Tobacco Inc. (Vector Tobacco") withheld with respect to the NPM Adjustments in various years from 2004-2010 is larger than the remaining amount these companies are to receive under the settlement for the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 after the offset they received as described in Paragraph 2(a) above. Accordingly Liggett and Vector will receive no credit against their MSA payments from the settlement as it relates to the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 and instead will receive those remaining benefits of the settlement and address previously withheld amounts for the 2004-2010 adjustments as follows: No later than April 15, 2015, each of those companies will pay to Indiana the excess of (a) \$44,098,631 (for Liggett) or \$2,624,630 (for Vector Tobacco) multiplied by Indiana's Allocable Share over (b) the remaining amount to which that company is entitled under this settlement for the NPM Adjustments for 2003-12 (\$749,671.50 for Liggett and \$41,010.07 for Vector Tobacco) and the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$74,142.35 for Liggett and \$5,810.48 for Vector Tobacco); plus (c) 12.8090288% of \$27,185,288 (for Liggett) or \$1,834,639 (for Vector Tobacco ) multiplied by Indiana's Allocable Share. That payment amount shall be \$167,498.44 for Liggett and \$12,870.23 for Vector Tobacco. Following these payments, the amount Liggett and Vector Tobacco have withheld with respect to NPM Adjustments shall be reduced by \$44,098,631 (for Liggett) and \$2,624,630 (for Vector Tobacco) multiplied by Indiana's Allocable Share, plus the amount of all accrued interest on those amounts, reflecting the settlement between Liggett and Vector Tobacco and Indiana with respect to Liggett and Vector Tobacco's claims for the NPM Adjustment.

- (v) Farmers Tobacco Company of Cynthiana, Inc. ("Farmers") withheld money with respect to the NPM Adjustments from 2003 through 2009 from its April 15, 2011 MSA payment and also with respect to the NPM Adjustments from 2010 to 2012 from its April 15, 2013 MSA payment but only on the allocable shares of the initial Non-Signatory States. Indiana's Allocable Share of the amount that Farmers withheld with respect to the NPM Adjustments is larger than the amount Farmers is to receive under the settlement for the NPM Adjustment claims for 2003-2012 as described in Paragraph 2(a) above and the Transition Year credit for 2013. Accordingly Farmers will receive no credit against its MSA payment from the settlement as it relates to the NPM Adjustment claims for 2003-2012 or the Transition Year credit for 2013 and instead will receive these benefits of the settlement and address previously withheld amounts as follows:<sup>4</sup>

(A) *2003 NPM Adjustment: Non-Signatory States' Allocable Share of 2003 NPM Adjustment of \$2,257,291.41 plus interest from April 15, 2004 to April 15, 2011 of \$1,040,385.27 (\$3,297,676.68) multiplied by Indiana's allocable share pursuant to the Final Awards of 13.8958103% (\$458,238.90) multiplied by 65% (\$297,855.28); less Indiana's allocable share (13.8958103%) of interest of \$1,040,385.27 (\$144,569.96); less Indiana's post-judgment portion of the 2003 NPM Adjustment amount withheld by Farmers of \$4,185,243.25 (\$313,668.93), subtotal of -160,383.61.;*

(B) *2004-2012 NPM Adjustment [IX(c)(1)]: Indiana's Allocable Share of 2004-2012 NPM Adjustment of \$21,391,708.30 [IX(c)(1)] multiplied by Indiana's allocable share of 2.0398033% (\$436,348.77) multiplied by 55% (\$239,991.83); less Indiana's Allocable Share (2.0398033%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$21,391,708.30 [IX(c)(1)] (\$436,348.77), subtotal of -\$196,356.94;*

(C) *2004-2012 NPM Adjustment [IX(c)(2)]: Indiana's Allocable Share of 2004-2012 NPM Adjustment of \$1,416,057.32 [IX(c)(2)] multiplied by Indiana's allocable share of 2.6499166% (\$37,524.34) multiplied by 55% (\$20,638.39); less Indiana's Allocable Share (2.6499166%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$1,416,057.32 [IX(c)(2)] (\$37,524.34), subtotal of -\$16,885.95;*

(D) plus the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$9,202.37), for a net amount due from Farmers of \$364,424.13.

No later than April 15, 2015, Farmers will pay this amount, \$364,424.13, to Indiana. Following this payment, the amount Farmers has withheld with respect to NPM Adjustments shall be reduced by \$313,668.93 (\$2,257,291.41, the Non-Signatory States' Allocable Share of 2003 NPM Adjustment, multiplied by Indiana's allocable share pursuant to the Final Awards of 13.8958103%) for 2003, \$436,348.77 for 2004-2012 [IX(c)(1)], and \$37,524.34 for 2004-2012 [IX(c)(2)], plus the amount of all accrued interest on those amounts, reflecting the settlement between Farmers and Indiana with respect to Farmers' claims for the NPM Adjustment.

---

<sup>4</sup> The parties agree that Farmers' payment obligation to Indiana under the Agreement Regarding Arbitration is satisfied with the payment described herein.

- (i) If the Independent Auditor makes determinations that materially increase or decrease the value of a credit, offset, or benefit reflected in Paragraph 2(a) above, the affected SPM and Indiana agree to discuss in good faith mechanisms to ensure that both parties receive the expected benefits under this settlement.

3. Indiana will receive releases of its Allocable Share of the SPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 3 of the SPM Addendum to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to SPMs); (ii) amounts in the DPA attributable to the 2012-2013 NPM Adjustments will be included; and (iii) Indiana may choose to have these DPA releases spread over 2014-2018. This amount shall be released to Indiana from the DPA on the following schedule (assuming the Independent Auditor has provided the confirmation specified in Paragraph 5 of Appendix A to the Term Sheet before the specified dates): the full amount in 2015. Indiana's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2014 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The Transition Year adjustment for 2013 for each SPM shall be as follows:

SPM	Transition Year Credit Amount
Commonwealth Brands, Inc.	99,068.43
Monte Paz	0.00
Daughters & Ryan, Inc.	0.00
Farmers Tobacco Co.	9,202.37
House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	6,592.96
King Maker Marketing, Inc.	1,651.97
Kretek International	74.50
Lane Limited	1,309.77 <sup>5</sup>
Liggett Group LLC	74,142.35
Lignum-2, Inc.	7,891.18
Peter Stokkebye Tobaksfabrik A/S	192.74
Premier Manufacturing, Inc.	1,002.14
P.T. Djarum	0.00
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	64,961.13
Sherman 1400 Broadway N.Y.C., Inc.	658.48
TABESA	1,105.00
Top Tobacco, L.P.	0.00
U.S. Flue-Cured Tobacco Growers, Inc.	3,040.54
Vector Tobacco Inc.	5,810.48
Von Eicken Group	12.02
Wind River Tobacco Company, LLC	86.52
<b>Total</b>	<b>276,802.54</b>

<sup>5</sup> Lane is also entitled to \$2,055.62 in Transition Year Credit as included in the OPM Transition Year credit total in Paragraph 4 of the letter to which this SPM Addendum is attached.

5. If the condition regarding a different method of reduction with respect to Indiana's settlement set forth in Paragraph 7 of the letter to which this SPM Addendum is attached applies with respect to the OPMs, Indiana will also pay to each SPM an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Indiana's settlement; or (B) the amount set forth below:

<b>SPM</b>	<b>Potential Amount Owed to SPM</b>
Commonwealth Brands, Inc.	1,315,703.43
Monte Paz	473.76
Daughters & Ryan, Inc.	851.73
Farmers Tobacco Co.	166,760.40
House of Prince A/S	197,093.86
Japan Tobacco International U.S.A., Inc.	38,764.01
King Maker Marketing, Inc.	56,549.05
Kretek International	5,155.50
Lane Limited	0.00
Liggett Group LLC	408,810.74
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	14,857.23
Premier Manufacturing, Inc.	0.00
P.T. Djarum	19,094.54
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	79,109.05
Sherman 1400 Broadway N.Y.C., Inc.	6,127.07
TABESA	0.00
Top Tobacco, L.P.	57,714.84
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	734.61
Wind River Tobacco Company, LLC	0.00
<b>Total</b>	<b>2,367,799.83</b>

That amount would be paid as an offset against each SPM's annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid, except that any SPM that is entitled to \$300,000 or less shall be entitled to the full amount as an offset against each SPMs' annual NPM payment in the next year. The provisions for carry forwards and transfer of SPM credits in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award shall apply.

**EXHIBIT H**

**KENTUCKY JOINDER LETTER**

Signatory State	Date of Sign-On
Kentucky	June 10, 2014



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE ATTORNEY GENERAL

JACK CONWAY  
ATTORNEY GENERAL

June 10, 2014

CAPITOL BUILDING, SUITE 118  
700 CAPITAL AVENUE  
FRANKFORT, KENTUCKY 40601  
(502) 696-5300  
FAX: (502) 564-2894

**Via Electronic and U.S. Mail**

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Counsel for Farmers Tobacco of Cynthiana Inc.  
and Wind River Tobacco Co. LLC

Re: Settlement of NPM Adjustment disputes

Dear Counsel:

This will confirm our agreement that the Commonwealth of Kentucky and the listed Participating Manufacturers (the "PMs"<sup>1</sup>) have agreed to settle NPM Adjustment disputes on the terms set forth in the November 14, 2012 Term Sheet for settlement of NPM Adjustment

<sup>1</sup> The PMs are those listed in footnote 4 of the Stipulated Award, Tabacalera del Este, S.A. (TABESA), U.S. Flue-Cured Tobacco Growers Inc., and Wind River Tobacco Company LLC.



disputes ("Term Sheet") and reflected in the March 12, 2013 Stipulated Partial Settlement and Award ("Stipulated Award"), except as follows.

1. The provisions of Section I.A.2 of the Term Sheet and Paragraphs 1-2 of Appendix A to the Term Sheet are modified as follows. The OPMs will receive from Kentucky a total amount equal to (a) 65% of Kentucky's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of Kentucky's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings. The amount in clause (a) equals \$58,459,031.25. The amount in clause (b) equals \$70,254,976.94.

2. It is recognized that \$71,949,576.93 of the amount under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) was conferred on the OPMs by means of an offset and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA. Accordingly, the amount under Paragraph 1 will be conferred on the OPMs in the manner provided in Paragraph 3 of Appendix A to the Term Sheet with the following modifications. In 2014, (i) within 14 days of this agreement, R.J. Reynolds Tobacco Co. will pay \$21,914,242.24 to Kentucky; (ii) the OPMs will retain the remainder of the \$71,949,576.93; and thus (iii) the amount conferred on the OPMs in 2014 will be \$50,035,334.69. In subsequent years, (i) the OPMs will receive a credit against the MSA annual payment due to Kentucky on April 15, 2015 in the amount of \$14,321,669.40 (plus interest at the Prime Rate calculated from April 15, 2014), with the credit to be allocated between Philip Morris USA and Lorillard in the manner they direct; and (ii) the OPMs will receive the percentage reductions as to Kentucky under Paragraphs 3(A)(ii) and 3(B) of Appendix A to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2018 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014).

3. Kentucky will receive releases of its Allocable Share of the OPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 5 of Appendix A to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to OPMs); and (ii) amounts attributable to the 2010-2011 NPM Adjustments will be included. The total of Kentucky's Allocable Share of the OPMs' NPM Adjustment amounts in the DPA attributable to the 2004-2011 NPM Adjustments is approximately \$83 million, which shall be released to Kentucky from the DPA in 2014 (assuming the Independent Auditor provides the confirmation specified in Paragraph 5 of Appendix A to the Term Sheet during 2014). In 2014, therefore, Kentucky will receive approximately \$83 million and confer, pursuant to Paragraph 2 above, approximately \$50 million. Kentucky's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2012 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The process for payments to the SPMs set forth in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award governs, except that the reference to the same (*i.e.*, no greater) relative

payment amounts refers to the payment amounts set forth in Paragraph 1 above and the reference to the same general timetable refers to the timetable set forth in Paragraph 2 above. The amounts for the SPMs paralleling the amounts for OPMs in the last sentence of Paragraph 1 above are included in the SPM Addendum hereto, along with provisions parallel to Paragraph 2 with respect to crediting amounts already conferred net of reimbursement paid and Paragraph 3 with respect to releases of Kentucky's share of DPA amounts.

5. Kentucky's payment for the 2013 transition year under Section II.C of the Term Sheet is \$3,367,413.71 to the OPMs and \$219,631.53 to the listed SPMs. Because the 2014 MSA payment date to which these payments would have been applied as offsets under the Term Sheet has passed, they will instead be applied as offsets in connection with the MSA payment due April 15, 2015 (in addition to offsets arising from payments, if any, due from Kentucky under Section II.B of the Term Sheet as to 2013 and under Section II.C of the Term Sheet as to 2014).

6. Section I.B of the Term Sheet will not apply to Kentucky.

7. 2003 Non-Diligent States Differential Judgment Reduction. Kentucky and the PMs believe that Kentucky's settlement is to give rise to the same method of reduction in the 2004-12 NPM Adjustments that may be applied to Non-Signatory States as does the settlement of the Settling States that became Signatory States prior to the issuance of the 2003 Arbitration Panel's September 11, 2013 Final Awards (the "Initial Signatory States"). The following will apply with respect to any argument or ruling to the contrary.

(a) The PMs will oppose any argument to the contrary. Kentucky will cooperate to the extent reasonably requested by the PMs in connection with their opposition.

(b) If the 2004 Arbitration Panel (or any other tribunal or court) nonetheless rules that Kentucky's settlement gives rise to a different method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States than does the settlement of the Initial Signatory States, the following will apply.

(i) Kentucky will pay to the OPMs an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Kentucky's settlement; or (B) \$31 million. That amount would be paid as an offset against the OPMs' annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid. Parallel provisions for the listed SPMs are included in the SPM Addendum hereto. In the event that an offset due under this subparagraph could not be credited without exceeding Kentucky's share of the relevant companies' payment under Section IX(c) of the MSA for the year in



question, the offset will carry forward with interest at the Prime Rate. The final settlement agreement referenced in Paragraph 8 will include provisions specifying the operation and order of the offset.

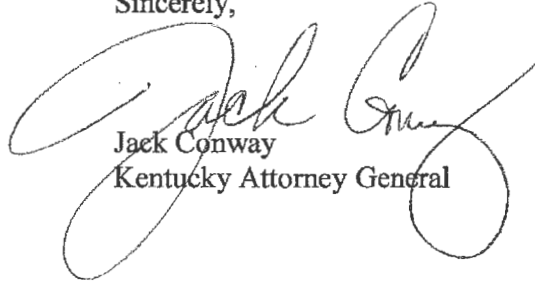
(ii) If there is a ruling as to the 2004 NPM Adjustment described in the introductory sentence of this subparagraph (b), both that introductory sentence and the entirety of subparagraph (b)(i) would apply to the 2005 NPM Adjustment as well, with any amounts owed being in addition to those owed with respect to the 2004 NPM Adjustment. However, if the 2004 Arbitration Panel rules that Kentucky's settlement gives rise to the same method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States as does the settlement of the Initial Signatory States and that ruling is not vacated or modified in such a way as results in a ruling described in the introductory sentence of this subparagraph (b), then the provisions of subparagraph (b)(ii) shall not apply in any subsequent NPM Adjustment arbitration. In no event are the provisions of Paragraph 7 applicable to any other NPM Adjustment arbitration other than the 2004 NPM Adjustment and the 2005 NPM Adjustment.

8. The final settlement agreement as referenced in Section IV.F of the Term Sheet will reflect the provisions set forth above as to Kentucky. The PMs will allow Kentucky to participate in the completion of the drafting of the final settlement agreement along with the other Signatory States.

9. If a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003 NPM Adjustment as to that State (including, but not limited to, if the settlement also settles any or all of the 2004-2012 NPM Adjustments) and the settlement contains overall terms more relatively favorable to that State than the terms set forth above as to Kentucky, then the overall terms of this agreement will be revised as to that PM so that Kentucky will obtain with respect to that PM overall terms substantially equal (on an Allocable Share basis) to those obtained by that State in all respects, including but not limited to the financial terms of the agreement. For example, if a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003-2012 NPM Adjustments and provides for the PM to receive any less for those Adjustments than the total of (a) 65% of the non-diligent State's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of the non-diligent State's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings, this agreement shall be revised as to that PM so that Kentucky will obtain the same percentages. Furthermore, if a PM settles with a State that was found to be non-diligent for 2003 on terms with respect to the subject matter of Paragraph 7 of this agreement that are more favorable to that State (on an Allocable Share basis) than the terms of Paragraph 7, this agreement shall be promptly revised as to that PM so that Kentucky will also obtain the same terms (on an Allocable Share basis).

10. All capitalized terms not otherwise defined herein have the meaning given those terms in the MSA, the Term Sheet or the Stipulated Award.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Conway", written in a cursive style. The signature is positioned above the printed name and title.

Jack Conway  
Kentucky Attorney General

**SPM ADDENDUM TO KENTUCKY JOINDER AGREEMENT**

1. Pursuant to Paragraph 1 of the letter to which this SPM Addendum is attached, and subject to confirmation by the Independent Auditor under the procedures set out in MSA § XI(d) that each of the below listed amounts are accurate and correct, each SPM shall receive the following amounts under clause (a) and clause (b) of Paragraph 1 and in total from Kentucky pursuant to the settlement:

<b>SPM</b>	<b>Clause (a)</b>	<b>Clause (b)</b>	<b>Total</b>
Commonwealth Brands, Inc.	2,028,993.01	2,478,485.30	4,507,478.31
Monte Paz	730.60	7,113.22	7,843.82
Daughters & Ryan, Inc.	1,313.49	2,627.93	3,941.42
Farmers Tobacco Co.	257,167.15	213,087.73	470,254.88
House of Prince A/S	303,945.45	88.94	304,034.38
Japan Tobacco International U.S.A., Inc.	59,779.35	69,734.36	129,513.71
King Maker Marketing, Inc.	87,206.30	70,406.78	157,613.08
Kretek International	8,222.78	10,699.49	18,922.26
Lane Limited	0.00	14,366.16	14,366.16
Liggett Group LLC	630,441.57	738,297.68	1,368,739.26
Lignum-2, Inc.	0.00	61,474.64	61,474.64
Peter Stokkebye Tobaksfabrik A/S	22,911.86	11,613.64	34,525.50
Premier Manufacturing, Inc.	0.00	64,320.57	64,320.57
P.T. Djarum	29,446.37	39,306.06	68,752.43
Reemtsma Cigarettenfabriken GmbH	0.00	3.01	3.01
Santa Fe Natural Tobacco Company, Inc.	121,996.87	405,155.35	527,152.22
Sherman 1400 Broadway N.Y.C., Inc.	9,448.78	10,936.88	20,385.65
TABESA	0.00	26,552.99	26,552.99
Top Tobacco, L.P.	89,004.10	125,374.25	214,378.35
U.S. Flue-Cured Tobacco Growers, Inc.	0.00	34,653.76	34,653.76
Vector Tobacco Inc.	0.00	33,023.69	33,023.69
Von Eicken Group	1,132.86	1,196.77	2,329.63
Wind River Tobacco Company, LLC	0.00	1,817.83	1,817.83
<b>Total</b>	<b>3,651,740.53</b>	<b>4,420,337.01</b>	<b>8,072,077.55</b>

2. (a) It is recognized that the following amounts under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) were conferred on the SPMs by means of offsets and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA:

<b>SPM</b>	<b>Amount Already Received by SPM</b>
Commonwealth Brands, Inc.	2,497,222.17
Monte Paz	899.20

Daughters & Ryan, Inc.	1,616.60
Farmers Tobacco Co.	\$124,821.19 <sup>2</sup>
House of Prince A/S	374,086.70 <sup>3</sup>
Japan Tobacco International U.S.A., Inc.	73,574.59
King Maker Marketing, Inc.	107,330.83
Kretek International	10,120.34
Lane Limited	0.00
Liggett Group LLC	775,928.09
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	28,199.21
Premier Manufacturing, Inc.	0.00
P.T. Djarum	36,241.69
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	150,149.99
Sherman 1400 Broadway N.Y.C., Inc.	11,629.26
TABESA	0.00
Top Tobacco, L.P.	109,543.51
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	1,394.29
Wind River Tobacco Company, LLC	0.00
<b>Total</b>	<b>4,302,757.67</b>

(b) Accordingly, subject to confirmation by the Independent Auditor under the procedures set out in MSA § XI(d) that each of the below listed amounts are accurate and correct, the remaining amounts under Paragraph 1 will be conferred on the SPMs in the manner provided in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award with the following modifications:

- (i) Each SPM will retain the amount already received in Paragraph 2(a), except that the credit of \$374,086.70 that remains for House of Prince to carry forward or transfer with respect to Kentucky shall be reduced by \$70,052.32 to reflect House of Prince's total settlement amount of \$304,034.38;
- (ii) The following SPMs will receive a credit against the MSA annual payment due to Kentucky on April 15, 2015 in the amount set out below (plus interest at the Prime Rate calculated from April 15, 2014), with the provisions in Appendix A and the SPM

<sup>2</sup> Represents interest amounts taken as an offset against April 2014 payment. See also Paragraph 2(b)(v).

<sup>3</sup> House of Prince's 2003 NPM Adjustment credit was not used against a payment or transferred, so remains available for carry forward and/or transfer.

Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award regarding carry forward and/or transfer of SPM credits governing as applicable:

<b>SPM</b>	<b>Credit Amount</b>
Commonwealth Brands, Inc.	2,010,256.14
Monte Paz	6,944.62
Daughters & Ryan, Inc.	2,324.82
Farmers Tobacco Co.	0.00
House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	55,939.12
King Maker Marketing, Inc.	50,282.25
Kretek International	8,801.92
Lane Limited	14,366.16
Liggett Group LLC	0.00
Lignum-2, Inc.	61,474.64
Peter Stokkebye Tobaksfabrik A/S	6,326.29
Premier Manufacturing, Inc.	64,320.57
P.T. Djarum	32,510.74
Reemtsma Cigarettenfabriken GmbH	3.01
Santa Fe Natural Tobacco Company, Inc.	7,995.67
Sherman 1400 Broadway N.Y.C., Inc.	8,756.39
TABESA	26,552.99
Top Tobacco, L.P.	104,834.84
U.S. Flue-Cured Tobacco Growers, Inc.	34,653.76
Vector Tobacco Inc.	0.00
Von Eicken Group	935.34
Wind River Tobacco Company, LLC	1,817.83
<b>Total</b>	<b>2,499,097.10</b>

- (iii) Santa Fe Natural Tobacco Company, Inc. will receive the percentage reductions as to Kentucky under Paragraph 4(iii) of the SPM Addendum to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2017 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014);
- (iv) Kentucky's Allocable Share of the amount that Liggett Group LLC ("Liggett") and Vector Tobacco Inc. (Vector Tobacco") withheld with respect to the NPM Adjustments in various years from 2004-2010 is larger than the remaining amount these companies are to receive under the settlement for the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 after the offset they received as described in Paragraph 2(a) above. Accordingly Liggett and Vector will receive no credit against their MSA

payments from the settlement as it relates to the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 and instead will receive those remaining benefits of the settlement and address previously withheld amounts for the 2004-2010 adjustments as follows: No later than April 15, 2015, each of those companies will pay to Kentucky the excess of (a) \$44,098,631 (for Liggett) or \$2,624,630 (for Vector Tobacco) multiplied by Kentucky's Allocable Share over (b) the remaining amount to which that company is entitled under this settlement for the NPM Adjustments for 2003-12 (\$592,811.17 for Liggett and \$33,023.69 for Vector Tobacco) and the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$58,831.89 for Liggett and \$4,610.61 for Vector Tobacco); plus (c) 12.8090288% of \$27,185,288 (for Liggett) or \$1,834,639 (for Vector Tobacco) multiplied by Kentucky's Allocable Share. That payment amount shall be \$152,096.62 for Liggett and \$10,485.42 for Vector Tobacco. Following these payments, the amount Liggett and Vector Tobacco have withheld with respect to NPM Adjustments shall be reduced by \$44,098,631 (for Liggett) and \$2,624,630 (for Vector Tobacco) multiplied by Kentucky's Allocable Share, plus the amount of all accrued interest on those amounts, reflecting the settlement between Liggett and Vector Tobacco and Kentucky with respect to Liggett and Vector Tobacco's claims for the NPM Adjustment.

(v) Farmers Tobacco Company of Cynthiana, Inc. ("Farmers") withheld money with respect to the NPM Adjustments from 2003 through 2009 from its April 15, 2011 MSA payment and also with respect to the NPM Adjustments from 2010 to 2012 from its April 15, 2013 MSA payment but only on the allocable shares of the Initial Non-Signatory States. Kentucky's Allocable Share of the amount that Farmers withheld with respect to the NPM Adjustments is larger than the amount Farmers is to receive under the settlement for the NPM Adjustment claims for 2003-2012 as described in Paragraph 2(a) above and the Transition Year credit for 2013. Accordingly Farmers will receive no credit against its MSA payment from the settlement as it relates to the NPM Adjustment claims for 2003-2012 or the Transition Year credit for 2013 and instead will receive these benefits of the settlement and address previously withheld amounts as follows:<sup>4</sup>

(A) *2003 NPM Adjustment: Non-Signatory States' Allocable Share of 2003 NPM Adjustment of \$2,257,291.41 plus interest from April 15, 2004 to April 15, 2011 of \$1,040,385.27 (\$3,297,676.68) multiplied by Kentucky's allocable share pursuant to the Final Awards of 11.9975934% (\$395,641.76) multiplied by 65% (\$257,167.15); less Kentucky's allocable share (11.9975934%) of interest of \$1,040,385.27 (\$124,821.17); less Kentucky's post-judgment portion of the 2003 NPM Adjustment amount withheld by Farmers of \$4,185,243.25 (\$270,820.59), subtotal of -\$138,474.62;*

(B) *2004-2012 NPM Adjustment [IX(c)(1)]: Kentucky's Allocable Share of 2004-2012 NPM Adjustment of \$21,391,708.30 [IX(c)(1)] multiplied by Kentucky's allocable share of 1.7611586% (\$376,741.91) multiplied*

---

<sup>4</sup> The parties agree that Farmers Tobacco's payment obligation to Kentucky under the Agreement Regarding Arbitration is satisfied with the payment described herein.

by 55% (\$207,208.05); less Kentucky's Allocable Share (1.7611586%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$21,391,708.30 [IX(c)(1)] (\$376,741.91), subtotal of -\$169,533.86;

(C) 2004-2012 NPM Adjustment [IX(c)(2)]: Kentucky's Allocable Share of 2004-2012 NPM Adjustment of \$1,416,057.32 [IX(c)(2)] multiplied by Kentucky's allocable share of 0.7549361% (\$10,690.33) multiplied by 55% (\$5,879.68); less Kentucky's Allocable Share (0.7549361%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$1,416,057.32 [IX(c)(2)] (\$10,690.33), subtotal of -\$4,810.65;

(D) plus the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$7,302.07), for a net amount due from Farmers of \$305,517.06.

No later than April 15, 2015, Farmers will pay this amount, \$305,517.06, to Kentucky. Following this payment, the amount Farmers has withheld with respect to NPM Adjustments shall be reduced by \$270,820.65 (\$2,257,291.41, the Non-Signatory States' Allocable Share of 2003 NPM Adjustment, multiplied by Kentucky's allocable share pursuant to the Final Awards of 11.9975934%) for 2003, \$376,741.91 for 2004-2012 [IX(c)(1)], and \$10,690.33 for 2004-2012 [IX(c)(2)], plus the amount of all accrued interest on those amounts, reflecting the settlement between Farmers and Kentucky with respect to Farmers' claims for the NPM Adjustment.

- (vi) If the Independent Auditor makes determinations that materially increase or decrease the value of a credit, offset, or benefit reflected in Paragraph 2(a) above, the affected SPM and Kentucky agree to discuss in good faith mechanisms to ensure that both parties receive the expected benefits under this settlement.

3. Kentucky will receive releases of its Allocable Share of the SPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 3 of the SPM Addendum to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to SPMs); (ii) amounts in the DPA attributable to the 2012-2013 NPM Adjustments will be included; and (iii) Kentucky may choose to have these DPA releases spread over 2014-2018. Kentucky's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2014 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The Transition Year adjustment for 2013 for each SPM shall be as follows:

SPM	Transition Year Credit Amount
Commonwealth Brands, Inc.	78,610.71
Monte Paz	0.00
Daughters & Ryan, Inc.	0.00
Farmers Tobacco Co.	7,302.07

House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	5,231.51
King Maker Marketing, Inc.	1,310.83
Kretek International	59.12
Lane Limited	1,028.26 <sup>5</sup>
Liggett Group LLC	58,831.89
Lignum-2, Inc.	6,261.64
Peter Stokkebye Tobaksfabrik A/S	152.94
Premier Manufacturing, Inc.	795.20
P.T. Djarum	0.00
Reemtsma Cigarettenfabriken Gmbh	0.00
Santa Fe Natural Tobacco Company, Inc.	51,546.60
Sherman 1400 Broadway N.Y.C., Inc.	522.50
TABESA	876.81
Top Tobacco, L.P.	0.00
U.S. Flue-Cured Tobacco Growers, Inc.	2,412.67
Vector Tobacco Inc.	4,610.61
Von Eicken Group	9.53
Wind River Tobacco Company, LLC	68.65
<b>Total</b>	<b>219,631.53</b>

5. If the condition regarding a different method of reduction with respect to Kentucky's settlement set forth in Paragraph 7 of the letter to which this SPM Addendum is attached applies with respect to the OPMs, Kentucky will also pay to each SPM an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Kentucky's settlement; or (B) the amount set forth below:

SPM	Potential Amount Owed to SPM
Commonwealth Brands, Inc.	1,135,973.46
Monte Paz	409.04
Daughters & Ryan, Inc.	735.38
Farmers Tobacco Co.	143,980.31
House of Prince A/S	170,170.11
Japan Tobacco International U.S.A., Inc.	33,468.70
King Maker Marketing, Inc.	48,824.24
Kretek International	4,451.24
Lane Limited	0.00

<sup>5</sup> Lane is also entitled to \$1,613.81 in Transition Year Credit as included in the OPM Transition Year credit total in Paragraph 4 of the letter to which this SPM Addendum is attached.



Liggett Group LLC	352,965.68
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	12,827.68
Premier Manufacturing, Inc.	0.00
P.T. Djarum	16,486.16
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	68,302.46
Sherman 1400 Broadway N.Y.C., Inc.	5,290.09
TABESA	0.00
Top Tobacco, L.P.	49,830.78
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	634.26
Wind River Tobacco Company, LLC	0.00
<b>Total</b>	<b>2,044,349.58</b>

That amount would be paid as an offset against each SPM's annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid, except that any SPM that is entitled to \$300,000 or less shall be entitled to the full amount as an offset against each SPMs' annual NPM payment in the next year. The provisions for carry forwards and transfer of SPM credits in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award shall apply.

**EXHIBIT I**

**OREGON JOINDER LETTER**

Signatory State	Date of Sign-On
Oregon	April 5, 2017

ELLEN F. ROSENBLUM  
ATTORNEY GENERAL



FREDERICK M. BOSS  
DEPUTY ATTORNEY GENERAL

DEPARTMENT OF JUSTICE

Justice Building  
1162 Court Street NE  
Salem, Oregon 97301-4096  
Telephone: (503) 378-6002

April 05, 2017

**Via Email and U.S. Mail**

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BakerHostetler  
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Washington, DC 20036-5403

Elli Leibenstein  
Greenberg Traurig, LLP  
77 West Wacker Drive, Suite 3100  
Chicago, IL 60601

**Re: In The 2004 NPM Adjustment Proceedings  
State of Oregon v. Philip Morris Inc., et al.  
Multnomah County Circuit Court Case No. 9706-04457**

Dear Jeff, Beth and Elli:

This will confirm that the State of Oregon and the listed Participating Manufacturers (the "PMs") have agreed to settle the NPM Adjustment disputes for MSA years 2004 through 2015 inclusive. The terms of the settlement are those set forth in the November 14, 2012 Term Sheet for settlement of NPM Adjustment disputes ("Term Sheet"), with the modifications as stated in Jeff Wintner's letter to Lisa Udland of March 20, 2017 (attached as Exhibit 1 to this letter).

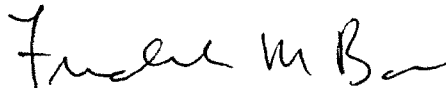
Jeffrey M. Wintner  
Elizabeth B. McCallum  
Elli Leibenstein  
April 5, 2017  
Page 2

As used in this letter, the listed PMs include the PMs listed in footnote 4 of the March 12, 2013 Stipulated Partial Settlement and Award, except for Farmer's Tobacco Co. of Cynthiana, Inc., and Wind River Tobacco Company, which the parties anticipate may join the settlement later, and also include Tabacalera Del Esta S/A (TABESA), and U.S. Flue Cured Tobacco Growers, Inc.

Except as set forth in Exhibit 1, the provisions of the Term Sheet will apply to Oregon. As a result of Oregon joining the Term Sheet, the listed PMs and Oregon will jointly instruct the Independent Auditor to release the amounts currently held in the Disputed Payments Account to Oregon on April 19, 2017, pursuant to the Term Sheet and Exhibit 1.

All capitalized terms not otherwise defined herein have the meaning given to those terms in the MSA, the Term Sheet or the Stipulated Award.

Sincerely,

A handwritten signature in black ink, appearing to read "Frederick M. Boss". The signature is written in a cursive style with a horizontal line at the end.

FREDERICK M. BOSS  
Deputy Attorney General

attachment  
8162723

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March 20, 2017

Via Electronic Mail

Lisa M. Udland
Chief Counsel
Civil Enforcement Division
Oregon Department of Justice
1162 Court St. NE
Salem, OR 97301-4096
Lisa.udland@doj.state.or.us

Re: Oregon potential joinder

Dear Lisa:

Per your request, this will summarize the terms that Oregon and the PMs have discussed on which Oregon would join the November 14, 2012 Term Sheet for settlement of NPM Adjustment disputes ("Term Sheet") before the April 17, 2017 MSA Payment Due Date. Oregon would join the Term Sheet on the conditions set forth below. Except as set forth below, the provisions of the Term Sheet would apply to Oregon.

(1) Oregon would be given the applicable settlement value percentage under Paragraph 2(A) of Appendix A to the Term Sheet (46%) and not the increased settlement value percentage that would otherwise apply under Paragraph 2(B) of that Appendix for Settling States that sign the Term Sheet after the initial sign-on date.

Ex. 1 - Boss Letter
Page 1 of 2

Lisa M. Udland  
March 20, 2017  
Page 2

(2) Oregon would not pay any amount for 2003.

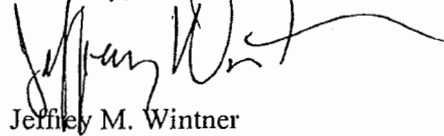
(3) For the 2013-2014 transition years, in lieu of the amounts set forth in Section II.C of the Term Sheet, the PMs would receive 46% of Oregon's Allocable Share (as defined in the MSA) of the 2013-2014 NPM Adjustments. The amount due to the OPMs under this paragraph would be paid as follows: 50% as a credit against the OPMs' MSA annual payment due on April 17, 2017; and the remainder through reductions in the OPMs' annual MSA payments due in April 2018-2021, plus interest on the amount of each reduction at the Prime Rate calculated from April 17, 2017, in the manner described in Paragraph 3 of Appendix A to the Term Sheet.

(4) For 2015, in lieu of the 2015 NPM Adjustment (and application of and potential amounts under Section III.C of the Term Sheet), the PMs would receive 25% of Oregon's Allocable Share (as defined in the MSA) of the 2015 NPM Adjustment (and application of and potential amounts under Section II.B of the Term Sheet). The amount due to a PM under this paragraph would be paid, at that PM's election, as a credit against that PM's MSA annual payment due on April 17, 2017 or MSA annual payment due on April 16, 2018.

(5) The OPMs confirm that, based on the Independent Auditor's February 3, 2017 summary of amounts in the Disputed Payments Account as of April 19, 2016, they understand that Oregon's share of principal amounts in the DPA on account of the OPMs' 2004-2013 NPM Adjustments is \$78,714,010.15, and that this principal amount (plus associated earnings), would be released to Oregon as provided in the Term Sheet, subject to the Independent Auditor (i) confirming the above amount and (ii) acting in conformity with the Term Sheet..

As used herein, "PMs" includes the Participating Manufacturers listed in footnote 4 of the March 12, 2013 Stipulated Partial Settlement and Award<sup>1</sup> (except for Farmer's Tobacco Co. of Cynthiana, Inc., which the parties anticipate may join the settlement later), as well as Tabacalera Del Esta S/A (TABESA), U.S. Flue Cured Tobacco Growers, Inc., and possibly Wind River Tobacco Company LLC, which also may join the settlement later. This summary itself is not a binding document; Oregon's joinder in the Term Sheet would be effected through a joinder letter reflecting the terms and conditions set forth above.

Sincerely,



Jeffrey M. Wintner

cc: Elli Leibenstein  
Elizabeth McCallum

<sup>1</sup> Two PMs listed in footnote 4 have changed their names. Lignum-2, Inc. is now ITG Brands, LLC. Sherman 1400 Broadway N.Y.C., Inc. is now Sherman 1400 Broadway N.Y.C., LLC.

**EXHIBIT J**

**RHODE ISLAND JOINDER LETTER**

Signatory State	Date of Sign-On
Rhode Island	March 24, 2017



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903  
(401) 274-4400 - TDD (401) 453-0410

March 24, 2017

*Peter F. Kilmartin, Attorney General*

**Via Electronic and U.S. Mail**

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Re: Term Sheet for Settlement of NPM Adjustment Disputes

Dear Counsel:

I am authorized by the State of Rhode Island to agree to Rhode Island's joinder in the November 14, 2012 Term Sheet for settlement of NPM Adjustment disputes ("Term Sheet") on the terms and conditions set forth in the letter from Jeffrey M. Wintner dated September 14, 2016 (the "Letter") attached hereto. Rhode Island's joinder will be effective upon written approval of the foregoing on behalf the PMs listed in the Letter (other than Farmer's Tobacco Co. of Cynthia, Inc., which may indicate its participation later).

Sincerely,

Peter F. Kilmartin  
Attorney General



**CONFIDENTIAL  
SETTLEMENT DISCUSSIONS**

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September 14, 2016

Via Electronic Mail

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State of Rhode Island  
150 South Main Street  
Providence, RI 02903  
[Maria.Lenz@riag.ri.gov](mailto:Maria.Lenz@riag.ri.gov)

Re: Rhode Island potential joinder

Dear Maria:

Per your request for use in obtaining internal approvals, this will summarize the terms that Rhode Island and the PMs have discussed on which Rhode Island would join the November 14, 2012 Term Sheet for settlement of NPM Adjustment disputes ("Term Sheet"). Rhode Island would join the Term Sheet on the conditions set forth below. Except as set forth below, the provisions of the Term Sheet would apply to Rhode Island.

(1) Rhode Island would be given the applicable settlement value percentage under Paragraph 2(A) of Appendix A to the Term Sheet (46%) and not the increased settlement value percentage that would otherwise apply under Paragraph 2(B) of that Appendix for Settling States that sign the Term Sheet after the initial sign-on date.

**CONFIDENTIAL  
SETTLEMENT DISCUSSIONS**

Maria Corvese  
September 14, 2016  
Page 2

(2) Because Rhode Island's diligent enforcement for 2003 was uncontested, under Section I.B of the Term Sheet, Rhode Island would not pay any amount for 2003.

(3) For the 2013-2014 transition years, in lieu of the amounts set forth in Section II.C of the Term Sheet, the signatory PMs would receive 46% of Rhode Island's Allocable Share (as defined in the MSA) of the 2013-2014 NPM Adjustments. The amount due to the OPMs under this paragraph would be paid as follows: 50% as a credit against the OPMs' MSA annual payment due on April 17, 2017; and the remainder through reductions in the OPMs' annual MSA payments due in April 2018-2021, plus interest on the amount of each reduction at the Prime Rate calculated from April 17, 2017, in the manner described in Paragraph 3 of Appendix A to the Term Sheet.

(4) The PMs would agree that the May 24, 2013 letter [REDACTED] attached hereto would apply to Rhode Island as well.

As used herein, "PMs" includes the Participating Manufacturers listed in footnote 4 of the March 12, 2013 Stipulated Partial Settlement and Award<sup>1</sup> (except for Farmer's Tobacco Co. of Cynthia, Inc., which the parties anticipate may join the settlement later), as well as Tabacalera Del Esta S/A (TABESA) and U.S. Flue Cured Tobacco Growers, Inc. This summary itself is not a binding document; Rhode Island's joinder in the Term Sheet would be effected through a joinder letter reflecting the terms and conditions described forth above.

Sincerely,

  
Jeffrey M. Wintner

cc: Elli Leibenstein  
Elizabeth McCallum

<sup>1</sup> One PM listed in footnote 4, Lignum-2, Inc., has changed its name and is now ITG Brands, LLC.

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TELEPHONE: (212) 403-1000  
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\* ADMITTED IN THE DISTRICT OF COLUMBIA

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LENE ANABLE GOTTIS  
DAVID M. MURPHY  
JEFFREY M. WINTNER  
TREVOR S. MORWITZ  
BEN M. BERMANA  
ANDREW J. HUSSBALM  
RACHELLE SILVERBERG  
STEVEN A. COHEN

Via Electronic and U.S. Mail



Re: Term Sheet for Settlement of NPM Adjustment Disputes

Dear [REDACTED]:

This is written on behalf of the OPMs, Commonwealth Brands, Inc. and Liggett Group (collectively, "the PMs").

The PMs understand that [REDACTED] is interested in joining the settlement referenced in the March 12, 2013 Stipulated Partial Settlement and Award and has requested clarification of Section III.C.2 of the Term Sheet with respect to diligent enforcement determinations for 2015 and subsequent years. In connection with [REDACTED] joinder, the PMs agree that, for purposes of Section III.C.2 of the Term Sheet, if the number of FET-paid NPM cigarettes sold in [REDACTED] on which escrow was not deposited, but about which the arbitrators determine the

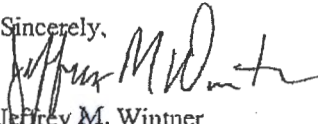
WACHTELL, LIPTON, ROSEN & KATZ

[REDACTED]  
May 24, 2013

Page 2

State could reasonably have known, was *de minimis*, that fact will be relevant to the diligent enforcement determination as to [REDACTED] with respect to the year in which the escrow on those cigarettes was due. The PMs agree that the foregoing clarification will be reflected in the final settlement agreement.

Sincerely,



Jeffrey M. Wintner

cc: Elli Leibenstein  
Charles Coble  
Robert J. Brookhiser

**EXHIBIT K**

**OPTIONAL “DE MINIMIS” AGREEMENT**

The PMs and the Signatory State agree that, if the number of FET-paid NPM Cigarettes sold in the State on which escrow was not deposited, but about which the arbitrators determine the State could reasonably have known, was *de minimis*, that fact will be relevant to the diligent enforcement determination as to the State with respect to the year in which the escrow on those Cigarettes was due.

**EXHIBIT L**

**OKLAHOMA SIDE LETTER**

Signatory State	Date of Sign-On
Oklahoma	April 12, 2013

# JONES DAY

77 WEST WACKER • CHICAGO, ILLINOIS 60601.1692  
TELEPHONE: +1.312.782.3939 • FACSIMILE: +1.312.782.8585

Direct Number: (312) 269-4368  
eleibenstein@jonesday.com

JP015026  
629000-605003

April 12, 2013

Tom Bates  
First Assistant Attorney General  
State of Oklahoma  
313 NE 21st Street  
Oklahoma City, OK 73105


Re: Side Letter Agreement between the Participating Manufacturers and the State of Oklahoma

Dear Mr. Bates:

As we discussed, the OPMs and Commonwealth Brands, Inc. (collectively, the "PMs") agree that, for purposes of clause (ii) of footnote 6 of the Term Sheet, (1) the word "reservation" shall also include Indian Country as defined by federal law, and (2) the word "owned" shall mean owned by more than 50 percent. All other words and phrases in footnote 6 of the Term Sheet remain the same.

In addition, the PMs understand that Oklahoma currently collects tax and escrow on NPM sales on or through the tribal reservations by means of compacts. PMs also understand that Oklahoma has raised a concern about what happens if one or more of these compacts are rescinded by tribes in the future through no fault of Oklahoma. To address that concern, PMs agree that if (i) a compact under which tax and escrow are currently collected on NPM sales is rescinded through no fault of Oklahoma and despite Oklahoma's best efforts to avoid that result and (ii) tax is no longer collected on those NPM sales, then the fact that the compact was rescinded will be relevant to the diligent enforcement determination for a period of twelve (12) months following the rescission.

Very truly yours,

  
Elli Leibenstein

CHI-1886426v1

ALKHOBAR • ATLANTA • BEIJING • BOSTON • BRUSSELS • CHICAGO • CLEVELAND • COLUMBUS • DALLAS • DUBAI  
DÜSSELDORF • FRANKFURT • HONG KONG • HOUSTON • IRVINE • JEDDAH • LONDON • LOS ANGELES • MADRID  
MEXICO CITY • MILAN • MOSCOW • MUNICH • NEW YORK • PARIS • PITTSBURGH • RIYADH • SAN DIEGO  
SAN FRANCISCO • SÃO PAULO • SHANGHAI • SILICON VALLEY • SINGAPORE • SYDNEY • TAIPEI • TOKYO • WASHINGTON

**EXHIBIT M**

**APPROVAL OF THE PSS CREDIT AMENDMENT**

Signatory State	Date of Approval
Alabama	October 30, 2008
Arizona	November 17, 2008
Arkansas	December 9, 2008
Connecticut	October 31, 2008
D.C.	November 20, 2008
Georgia	November 13, 2008
Indiana	November 24, 2008
Kansas	November 12, 2008
Kentucky	November 13, 2008
Michigan	November 13, 2008
Nebraska	November 13, 2008
Nevada	October 30, 2008
New Hampshire	October 30, 2008
North Carolina	October 31, 2008
Oklahoma	November 6, 2008
Oregon	November 12, 2008
Rhode Island	February 11, 2009
South Carolina	June 20, 2013
Tennessee	October 30, 2008
West Virginia	January 29, 2009
Wyoming	November 20, 2008
Puerto Rico	December 22, 2008



## EXHIBIT N

### DATA CLEARINGHOUSE FUND PROTOCOL

The Data Clearinghouse Fund (“Fund”) is established by the Attorneys General of the 2016 Signatory States and those Settling States that are Subsequent-Joining Signatory States as of the Effective Date, in cooperation with NAAG, pursuant to subsections IV.A.4 and IV.C.2 of the Settlement Agreement. The following shall be the primary and mandatory protocol for the administration of the Fund.

1. Upon the establishment of the Fund, the Signatory States shall jointly instruct the Independent Auditor to disburse any monies previously paid into the Disputed Payments Account pursuant to sections IV.A.4 and IV.C.2 of the Settlement Agreement, plus any applicable earnings, to the Fund.
2. The NAAG Executive Committee shall direct the investment of the Fund consistent with Investment Policy guidelines established for that purpose in consultation with the Finance and Investment Committee and the NAAG Director of Finance.
3. The NAAG Executive Committee shall authorize disbursements from the account consistent with the Data Clearinghouse Agreement between Certain Settling States and NAAG (the “NAAG Data Clearinghouse Agreement”), as that Agreement may be executed and amended.
4. The NAAG Executive Committee shall annually report to the Attorneys General of the Signatory States on disbursements made from the Fund.
5. No later than February 1<sup>st</sup> of each year, the NAAG Executive Committee or its assigns may assess an additional amount that the Committee determines will assure the stability and liquidity of the Fund until the following year’s Payment Due Date. This assessment shall be allocated among the Signatory States pro rata in proportion to their respective Allocable Shares. Absent other arrangement by a Signatory State, each year, prior to the Payment Due Date, the Signatory States will jointly instruct the Independent Auditor to withhold each Signatory States’ allocated portion of that year’s assessment, plus any associated transfer fees, from their respective apportioned Annual Payment amounts and to transfer the remainder of the assessment to the Fund.
6. If a Signatory State incurs state-specific expenses not otherwise authorized by the Settlement Agreement, the NAAG Data Clearinghouse Agreement, or this Protocol, such Signatory State will be responsible for making appropriate arrangements for any additional payment obligations incurred (see subsections VI.J.3-4).
7. The Signatory States shall be responsible for all expenses associated with the establishment and operation of the Fund. The NAAG Executive Committee is authorized by this Protocol to deduct such expenses from the Fund, including for those expenses incurred by the NAAG Executive Committee or its assigns.

**EXHIBIT O**

**SIGNATORY STATE REPORTING RULES IN EFFECT AS OF THE EFFECTIVE  
DATE**

Signatory State	SET Deemed Paid
Alabama	STAMP APPLIED
Arizona	STAMP APPLIED
Arkansas	PACKAGE SOLD
California	PACKAGE SOLD
Connecticut	PACKAGE SOLD
D.C.	STAMP APPLIED
Georgia	STAMP APPLIED
Indiana	STAMP APPLIED
Kansas	STAMP APPLIED
Kentucky	STAMP APPLIED
Louisiana	PACKAGE SOLD
Michigan	PACKAGE SOLD
Nebraska	PACKAGE SOLD
Nevada	STAMP APPLIED
New Hampshire	STAMP APPLIED
New Jersey	PACKAGE SOLD
North Carolina	NO STAMP; PACKAGE RECEIVED OR PACKAGE SOLD
Oklahoma	PACKAGE SOLD
Oregon	PACKAGE SOLD
Rhode Island	PACKAGE SOLD
South Carolina	NO STAMP; PACKAGE RECEIVED OR PACKAGE SOLD
Tennessee	STAMP APPLIED

Signatory State	SET Deemed Paid
Virginia	STAMP APPLIED
West Virginia	PACKAGE SOLD
Wyoming	STAMP APPLIED
Puerto Rico	PACKAGE SOLD

**EXHIBIT P**

**CONFIDENTIALITY AGREEMENT BETWEEN THE PMS  
AND THE SIGNATORY STATES**

**CONFIDENTIALITY AGREEMENT  
AMONG THE SIGNATORY PARTIES TO  
THE NPM ADJUSTMENT SETTLEMENT AGREEMENT**

This Confidentiality Agreement is entered into by the undersigned PMs and Signatory States that are signatories to the NPM Adjustment Settlement Agreement (the “Settlement Agreement”). The PMs and the Signatory States (each, a “Party,” and collectively, the “Parties”) enter into this agreement to protect from further disclosure any confidential information provided to the Parties or by the Parties to the Data Clearinghouse pursuant to the Settlement Agreement.

WHEREAS, the Signatory States and the PMs are parties to the Master Settlement Agreement (or the “MSA”);

WHEREAS, the Signatory States and the PMs have entered into the Settlement Agreement to resolve certain disputes under the MSA;

WHEREAS, pursuant to the Settlement Agreement, the Parties will provide certain documents and data to each other and to a Data Clearinghouse selected by the Parties, as provided in Section VI of the Settlement Agreement;

WHEREAS, Section VI of the Settlement Agreement specifies the information that will be provided by the Parties to the Data Clearinghouse and to each other, the conditions under which such information will be provided, the representatives of the Parties that may receive the information, and the permissible uses (and limitations on use) of the information by the Parties;

WHEREAS, the Parties recognize the highly confidential nature of the information they are to disclose pursuant to Section VI of the Settlement Agreement and seek to protect it from further disclosure by entering into this Confidentiality Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. The terms and conditions of this Confidentiality Agreement shall be binding upon the Parties, and it shall govern the use and dissemination of all information, documents, or materials that are subject to this Agreement.

2. The provisions of Section VI of the Settlement Agreement governing the disclosure and use of information are incorporated by reference and form an integral part of this Confidentiality Agreement.

3. The term “Confidential Information” means information, documents, data or other materials disclosed by a PM or a Signatory State pursuant to subsections VI.E-G of the Settlement Agreement that the disclosing party reasonably and in good faith believes contain information that, if disclosed, would cause substantial harm to the competitive position of any person or business entity; contain trade secrets or other confidential and non-public research, product development, commercial or financial information; contain non-public personal information; contain other information for which a good faith claim of the need for protection

from disclosure can be made under applicable law; and/or contain information the disclosure of which is restricted by constitution, statute, rule, policy, or common law.

4. The terms information, documents, data or other materials shall include writings, drawings, graphs, charts, photographs, electronically created data, and other compilations of data from which information can be obtained or translated.

5. A Party disclosing Confidential Information to the Data Clearinghouse or to another Party or Parties shall designate such information "Confidential."

6. Confidential Information may be disclosed only to the Data Clearinghouse and to those representatives of the Parties specifically identified in, and in compliance with, Section VI of the Settlement Agreement.

7. The designated counsel for the PMs and the Signatory States shall require each individual to whom Confidential Information is provided to acknowledge that she/he has read this Confidentiality Agreement and subsection VI.K of the Settlement Agreement, and agreed to be bound by their terms. Acknowledgments shall be in writing in the form attached hereto (the "Confidentiality Acknowledgment") and shall remain in the custody of the respective Party.

8. If any Party wishes to disclose any Confidential Information to a person not specifically designated in subsection VI.K of the Settlement Agreement, such Party must request in writing from the designating Party permission to so disclose. Such permission may be given or withheld in the sole discretion of the designating Party. If such designating Party does not permit the proposed disclosure, no such disclosure shall be made. If such designating Party permits the proposed disclosure, the person to whom Confidential Information is shown must agree to be bound by the terms of this Confidentiality Agreement by executing the Confidentiality Acknowledgment.

9. Any person to whom Confidential Information is provided shall use the Confidential Information only for those purposes specifically provided under section VI of the Settlement Agreement.

10. Nothing in this Confidentiality Agreement shall preclude a designating Party from using or disclosing in any way and in its sole discretion its own Confidential Information so designated by such Party. If a designating Party publicly discloses any Confidential Information it so designated, that same information will no longer be subject to this Confidentiality Agreement.

11. The Parties shall maintain Confidential Information such that physical and electronic access to it is restricted to those individuals identified in paragraph 6 above. Whenever electronic Confidential Information is copied, all copies shall be marked "Confidential."

12. Any summary, compilation, notes, copy, electronic image, or database, or any other document containing Confidential Information, shall be marked by the person preparing

the document with the Confidential designation, and the document shall be subject to the terms of this Agreement to the same extent as the information on which such document is based, from which it is derived or which it contains.

13. In the event of a public records request, the Signatory State shall notify the designating Party within five (5) business days and shall cooperate with the designating Party in taking reasonable steps to protect Confidential Information from public disclosure consistent with applicable law.

14. If Confidential Information is subject to a subpoena in an arbitration, judicial, legislative, or administrative proceeding, the subpoenaed Party shall serve and/or file a timely response objecting to production of Confidential Information consistent with this Agreement and applicable law. Within five (5) business days of receiving the subpoena, the subpoenaed Party shall notify the designating Party in writing of the pendency of the subpoena, unless the subpoena may not be disclosed under applicable law. If the subpoena may not be disclosed under applicable law, the subpoenaed Party shall file a timely motion in the proceeding to allow the subpoenaed Party to give notice of the subpoena to the designating Party. The subpoenaed Party shall cooperate with the designating Party in reasonable steps that the designating Party may take to protect Confidential Information from production pursuant to the subpoena consistent with applicable law. If the designating Party seeks an order blocking production of Confidential Information, the subpoenaed Party shall not voluntarily produce such information pending final resolution of the designating Party's request.

15. If there is a claimed violation of this Confidentiality Agreement, the Party that claims the violation may apply to the relevant MSA Court to enforce the terms of this Confidentiality Agreement.

16. This Confidentiality Agreement shall not preclude the Parties from applying to the appropriate court or courts for further protective orders.

17. This Confidentiality Agreement shall not be construed as an agreement by any Party to disclose or provide any document or information other than as required by Section VI of the Settlement Agreement, or as a waiver by any Party of its right to object to the disclosure of any document or information other than as required by Section VI of the Settlement Agreement, or as a waiver of any claim of privilege with regard to the disclosure of any such document or information.

18. The Parties will jointly ensure that the Data Clearinghouse also enters into a confidentiality agreement with the Parties that is fully consistent with the provisions of Section VI of the Settlement Agreement and this Confidentiality Agreement.

19. The obligations imposed by this Confidentiality Agreement shall survive any determination by the Data Clearinghouse pursuant to Section VI of the Settlement Agreement and shall remain in effect unless otherwise expressly agreed to in writing by the Parties.

20. Any dispute with respect to a Signatory State regarding the terms of this Agreement shall be construed in accordance with the laws of such Signatory State, including but not limited to those governing the disclosure of public records in response to duly submitted requests and the laws of such Signatory State regarding the retention of records.

21. All capitalized terms not defined herein shall have the meanings ascribed to them in the Settlement Agreement.



