

## **AGREEMENT**

This Agreement is entered into effective January 6, 2009 (the "Effective Date"), by and between the undersigned States through their respective Attorneys General and Santa Fe Natural Tobacco Company, Inc. ("Santa Fe"), (the "Parties").

WHEREAS, Santa Fe is the manufacturer of Natural American Spirit cigarettes; and

WHEREAS, a multi-state group of Attorneys General (the "Attorneys General") conducted an extensive investigation of Santa Fe's distribution to consumers of branded, decorative tin signs from January, 2000 through early 2004 as part of a sample carton offer program for its Natural American Spirit cigarettes (the "Natural American Spirit tin signs"); and

WHEREAS, Santa Fe maintains that the Natural American Spirit tin signs were originally produced as and continue to be used as advertising signs displayed by retailers, and that in addition, 98, 597 Natural American Spirit tin signs were shipped to smokers in states which are signatories to the Master Settlement Agreement ("MSA") and Consent Decree; and

WHEREAS, Santa Fe maintains that it ceased distribution of Natural American Spirit tin signs to consumers in the United States in early 2004; and

WHEREAS, Santa Fe has cooperated with the Attorneys General in this investigation by providing certain documents and information; and

WHEREAS, the Attorneys General have alleged that Santa Fe has violated the prohibition against Brand Name merchandise as set forth in Section III (f) of the MSA by distribution of Natural American Spirit tin signs to consumers in their respective states; and

WHEREAS, Santa Fe asserts that its distribution of Natural American Spirit tin signs to consumers complies with the MSA; and

WHEREAS, the Attorneys General have determined that it is in the public interest of their respective States and their residents to enter into this Agreement rather than to proceed with litigation and that this Agreement is in the best interest of the States and satisfies the States' concerns about Santa Fe's Natural American Spirit tin signs, and Santa Fe also has determined that it is in its interest to enter into this Agreement rather than to proceed with litigation; and

WHEREAS, the Parties wish to completely settle, release and discharge all claims under Section III (f) of the MSA, and this Agreement constitutes a good faith settlement of the disputes and disagreements between the Parties relating to the application of Section III (f) to Santa Fe's Natural American Spirit tin signs; and

NOW, THEREFORE, in consideration of their mutual agreement to the terms of this Agreement, and such other consideration as described herein, the sufficiency of which is hereby acknowledged, the Parties, acting by and through their authorized agents, stipulate and agree as follows:

#### **I. Definitions**

The following terms shall have the following definitions:

1. "Adult" shall have the same meaning as in the MSA.
2. "Adult-Only Facility" shall have the same meaning as in the MSA.
3. "Cigarettes" shall have the same meaning as in the MSA.
4. "Master Settlement Agreement" or "MSA" shall mean the tobacco Master Settlement Agreement agreed to among certain states and governmental jurisdictions and certain cigarette manufacturers on November 23, 1998, as amended, as to which Santa Fe is a Subsequent Participating Manufacturer as defined in the MSA.
5. "Signatory States" shall mean those states which sign this Agreement by a representative of the state's Attorney General.

6. "NAAG" shall have the same meaning as in the MSA.

7. "Brand Name" shall have the same meaning as in the MSA.

8. "Underage" shall have the same meaning as in the MSA.

## **II. Prohibitions**

1. As of the Effective Date of this Agreement, Santa Fe agrees that it will refrain from any further distribution of its Natural American Spirit tin signs to consumers within the United States.

2. Santa Fe further agrees that it shall not, within any Signatory State, market, distribute, offer, sell, or license to consumers, non-employees and/or Underage employees, or cause to be marketed, distributed, offered, sold or licensed to consumers, non-employees and/or Underage employees (including without limitation by catalogue or direct mail ) the following ("Prohibited Items") which bear a Brand Name: any paintings and plaques (other than plaques awarded to wholesalers, distributors, retailers or employees) intended for home and/or office use; apparel (including, but not limited to shirts, caps, hats, belts, shoelaces, shoes and sneakers); ice coolers; thermoses; mugs; cups; beer/soda can holders; straws; napkins; coasters; linens; blankets; towels; housewares; dinnerware; glassware; kitchen accessories; personal music player accessories; computer accessories; umbrellas and other rain gear; beach or pool accessories; seed packets; gardening accessories; water bottles; lighting accessories; whistles; flashlights; camping gear; food products; bags; carry-alls; luggage; back packs; luggage tags; frisbees; balls; skateboards and other athletic equipment and accessories; CDs, DVDs, video games in optical disc media or other physical format, the content of which is unrelated to Santa Fe, its products or its activities;<sup>1</sup> stuffed animals or dolls; figurines; flags; sunglasses; watches; clocks; lighters; ashtrays; paper

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<sup>1</sup> It is the view of the Signatory States that under certain circumstances other CDs, DVDs, and video games could be considered merchandise which bears a Brand Name, and therefore prohibited under the Master Settlement Agreement. However, since the parties do not have a common opinion on this issue, the parties have chosen not to address such CDs, DVDs, and video games in this Agreement.

weights; consumer appliances; grooming and personal care products; *identification badge* holders or necklaces; pens, pencils, post-its, note cards for consumer use, writing pads and other packaged retail stationery products; key chains; cell phone accessories; mouse pads; toys; board games; playing cards; puzzles; wrist bands; charms; jewelry; fashion accessories; calendars; picture frames; books and match books.

3. This Agreement shall not be deemed to restrict in any way whatsoever:

A. The use of the Prohibited Items set forth in paragraph II (2) of this Agreement within an Adult Only Facility, provided such items are not distributed (by sale or otherwise) to any member of the general public; and

B. The distribution of any of the Prohibited Items set forth in paragraph II (2) of this Agreement to Santa Fe's employees, officers, directors, attorneys, representatives, agents, successors and assigns exclusively for their own personal use.

### **III. Stipulated Penalties**

Santa Fe shall pay to the Signatory States a stipulated penalty of \$250.00 per violation for each and every violation of paragraph II (1) and (2) of this Agreement after the Effective Date. The penalty shall be paid to the Signatory State(s) in whose jurisdiction the violation(s) occurred. Penalties for violations occurring in states which are not Signatory States will be divided equally among the Signatory States. The Attorney(s) General of the Signatory State(s) may, at their discretion, reduce the stipulated penalty amount payable to them upon application for such reduction by Santa Fe and a demonstration that the violation was a result of a reasonable mistake or of good faith corporate negligence, misfeasance, or nonfeasance. Nothing in this provision shall preclude the Attorneys General from seeking court-ordered penalties pursuant to their respective state laws, in equity, or pursuant to the MSA, should Santa Fe fail to pay any assessed stipulated penalties pursuant to this provision, but any amounts paid pursuant to this Agreement shall be set off against any amounts awarded in any such separate proceeding.

#### **IV. Costs**

1. The Parties will bear their own costs of this investigation.

#### **V. Miscellaneous Provisions**

1. The Parties agree to discuss in good faith any disputes or other issues that may arise with respect to this Agreement. In the event that any of the Signatory States believes that Santa Fe has acted or is acting contrary to any provision of this Agreement and the Parties are unable to resolve said dispute through discussion, this Agreement shall be enforceable in the same manner as the MSA.

2. Without limitation on whatever other rights to access they may be permitted by law, for a period of six (6) years from the Effective Date of this Agreement, representatives of the Attorney General of each Signatory State may, for the purpose of enforcing this Agreement, upon reasonable cause to believe that a violation of this Agreement has occurred, and upon reasonable prior written notice (but in no event less than 10 business days), (1) have access during regular office hours to inspect and copy all relevant non-privileged, non-work-product books, records, meeting agenda and minutes and other documents (whether in hard copy form or stored electronically) of Santa Fe insofar as they pertain to such believed violation; and (2) interview Santa Fe's officers and employees (who shall be entitled to have counsel present) with respect to relevant, non-privileged, non-work-product matters pertaining to such believed violation. Documents and information provided to representatives of the Attorney General of such Signatory State pursuant to this provision shall, to the extent consistent with the respective Signatory States' Freedom of Information Laws, be kept confidential by the Signatory States, and shall be utilized only by the Signatory States and only for purposes of enforcing this Agreement. The inspection and discovery rights provided to such Signatory State pursuant to this paragraph shall be coordinated through NAAG so as to avoid repetitive and excessive

inspection and discovery. This paragraph in no way precludes the Attorneys General from asserting any rights they may otherwise have under the law.

3. The Parties expressly acknowledge and agree that this Agreement is voluntarily entered into as a result of arm's-length negotiations, and all Parties hereto were represented by counsel in deciding to enter into this Agreement. The parties believe that this Agreement constitutes a good faith settlement of the disputes and disagreements between the Parties relating to the application of the MSA to Santa Fe's distribution of its Natural American Spirit tin signs to consumers.

4. No Party shall be considered the drafter of this Agreement for the purpose of any rule of interpretation or construction that would or might cause any provision to be construed against the drafter.

5. The Parties understand and acknowledge that this Agreement constitutes a compromise and settlement of disputed claims. This Agreement is not intended to be, and shall not in any event be construed as, or deemed to be, an admission or concession or evidence of any liability or wrongdoing whatsoever on the part of Santa Fe. This Agreement also is not intended to be, and shall not in any event be construed as, or deemed to be, approval, pursuant to Section III (f) of the MSA or otherwise, by the Signatory States or the Attorneys General of any of Santa Fe's present or future business practices, including but not limited to Santa Fe's use of its Brand Name on advertising and promotional materials for its cigarettes.

6. The provisions of this Agreement shall apply to Santa Fe and its past and present subsidiaries, successors and assigns.

7. The Signatory States hereby waive any and all legal and/or equitable claims whatsoever under Section III (f) of the MSA and comparable claims under state law, pertaining to Santa Fe's distribution of its Natural American Spirit tin signs to consumers prior to the Effective Date.

8. This Agreement does not waive or limit any rights or remedies that the Signatory States have at law or equity, including under the MSA, relating to any future distribution of Brand Name merchandise to consumers by Santa Fe. The list of prohibited items in Paragraph II (2) of this Agreement is not exhaustive of all the items that could be deemed "Brand Name merchandise" as used in Section III (f) of the MSA.

9. This Agreement shall be governed by and construed in each of the Signatory States in accordance with the laws of such states, respectively.

10. This Agreement constitutes the entire agreement between the Parties pertaining to its subject matter and supersedes any and all prior and/or contemporaneous oral or written negotiations, agreements, representations, and undertakings, other than the MSA. The settlement negotiations resulting in this Agreement have been undertaken by the Parties in good faith and for settlement purposes only, and no evidence of negotiations or discussions underlying this Agreement shall be offered or received in evidence in any action or proceeding for any purpose. The Parties, and each of them, understand that this Agreement is made without reliance upon any inducement, statement, promise, or representation other than those contained within this Agreement. This Agreement may not be altered, amended, modified or otherwise changed in any respect or particular whatsoever, except by writing duly executed by the Parties to this Agreement or their authorized representatives.

11. Santa Fe shall provide a copy of this Agreement to all employees who have decision-making authority with respect to the distribution of Santa Fe's Brand Name merchandising, advertisements, and/or promotional materials for its cigarettes.

12. This Agreement may be executed in faxed counterparts, each of which will constitute an original but all of which taken together shall constitute one and the same document.

13. The effective date of this Agreement is January 6, 2009 (the "Effective Date").

DATED: \_\_\_\_\_, 2008

SANTA FE NATURAL TOBACCO COMPANY,  
INC.,

By: C. Randall Nuckolls

Name: McKenra, Long + Aldridge

Title: outside counsel, Santa Fe Natural

Tobacco Co. 12/03/08

ANDREW M. CUOMO  
ATTORNEY GENERAL OF THE STATE  
OF NEW YORK

By: Joy Feigenbaum 1/6/09

JOY FEIGENBAUM  
ASSISTANT ATTORNEY GENERAL  
IN CHARGE  
BUREAU OF CONSUMER FRAUDS AND  
PROTECTION

By: Mary Alestra 1/6/09

MARY ALESTRA  
ASSISTANT ATTORNEY GENERAL

STATE OF ALABAMA

Attorney General IRBY KING

By: [Signature]  
CHIEF DEPUTY

Date: 16, 2009

STATE OF Alaska

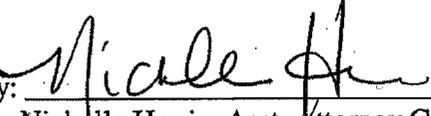
Attorney General Talis J. Colberg

By: Guthrie C. Sinkwater

Date: December 9, 2008

STATE OF ARIZONA

Attorney General Terry Goddard

By:   
Nicholle Harris- Asst. Attorney General

Date: 2<sup>nd</sup> day of December, 2008

STATE OF ARKANSAS

DUSTIN McDANIEL  
Attorney General

By:



Eric B. Estes, Ark. Bar No. 98210  
Assistant Attorney General  
Office of the Arkansas Attorney General  
323 Center Street, Suite 200  
Little Rock, Arkansas 72201

Dated: December 8, 2008

STATE OF CALIFORNIA

Attorney General EDMUND G. BROWN, JR.

By: Phil Priesman  
Deputy Attorney General

Date: Dec. 8, 2008

STATE OF COLORADO

Attorney General John W. Suthers

By: Brian L. Laughlin  
Brian L. Laughlin  
Assistant Attorney General

Date: December 8, 2008

*Richard Blumenthal*

Richard Blumenthal  
Attorney General  
State of Connecticut

STATE OF DELAWARE

Acting Attorney General Richard Gebelein

By: Thomas E. Brown  
Thomas E. Brown  
Deputy Attorney General

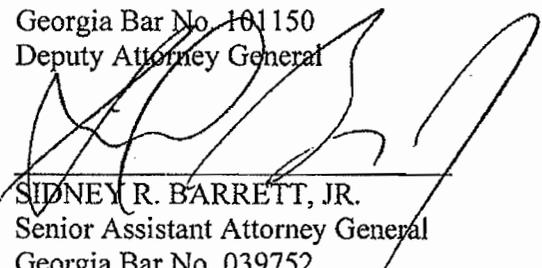
Date: December 29, 2008

In Re: Santa Fe Natural Tobacco

STATE OF GEORGIA

THURBERT E. BAKER  
Georgia Bar No. 033887  
Attorney General

ISAAC BYRD  
Georgia Bar No. 101150  
Deputy Attorney General



SIDNEY R. BARRETT, JR.  
Senior Assistant Attorney General  
Georgia Bar No. 039752

December 10, 2008

STATE OF HAWAII

Attorney General Mark J. Bennett

By: Alex R. Barrett

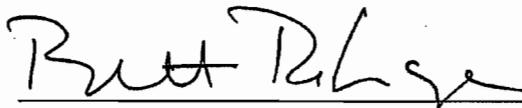
Alex R. Barrett  
Deputy Attorney General

Date: November 26, 2008

State of Idaho signature block for  
Settlement with Santa Fe Natural Tobacco Company

Dated: November 24, 2008  
Boise, Idaho

LAWRENCE G. WASDEN  
ATTORNEY GENERAL  
STATE OF IDAHO



Brett T. DeLange (ISB No. 3628)  
Deputy Attorney General  
Consumer Protection Division  
Office of the Attorney General  
Len B. Jordan Building  
954 W. Jefferson St., 2<sup>nd</sup> Floor  
P. O. Box 83720  
Boise, Idaho 83720-0010  
Telephone: (208) 334-4114  
FAX: (208) 334-4151  
brett.delange@ag.idaho.gov

STATE OF Illinois

Attorney General Lisa Madigan

By: Marilyn A Kueper  
Chief, Tobacco Enforcement Bureau

Date: December 12, 2008

STATE OF Indiana

Attorney General Steve Carter

By: AMBER BISHOP

Date: January 6, 2009

STATE OF Iowa

Attorney General Tom Miller

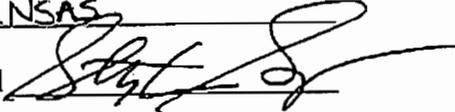
By: [Signature]

Date: December 18, 2008

STATE OF KANSAS

Attorney General

By:

  
Stephen W. Sit

Date:

December 9, 2008

COMMONWEALTH OF KENTUCKY

Attorney General Jack Conway

By: Michael Plumley  
Michael Plumley, Assistant AG

Date: December 8, 2008

STATE OF Louisiana

Attorney General James D. "Buddy" Caldwell

By: [Signature] AAG

Date: January 6, 2009

In the Matter of SANTA FE NATURAL TOBACCO COMPANY, INC.

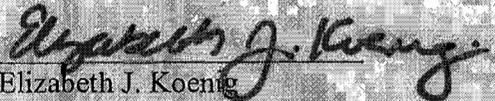
DOUGLAS F. GANSLER  
Attorney General of the State of Maryland

A handwritten signature in cursive script that reads "Marlene Trestman".

MARLENE TRESTMAN  
Special Assistant to the Attorney General  
State of Maryland  
200 St. Paul Place - 20<sup>th</sup> Floor  
Baltimore, Maryland 21202  
410-576-7219  
[Mtrestman@oag.state.md.us](mailto:Mtrestman@oag.state.md.us)

Dated: December 4, 2008

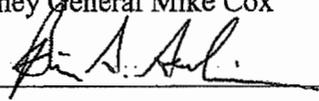
MARTHA COAKLEY  
Attorney General of the  
Commonwealth of Massachusetts

By:   
Elizabeth J. Koenig  
Assistant Attorney General  
Office of the Attorney General  
One Ashburton Place  
Boston, MA 02108

Dated: December 8, 2008

STATE OF MICHIGAN

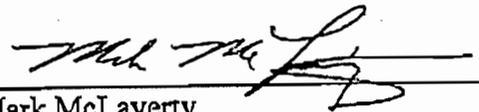
Attorney General Mike Cox

By: 

Brian D. Devlin (P34685)  
Assistant Attorney General  
Tobacco & Special Litigation Division  
P.O. Box 30213  
Lansing, MI 48909  
Phone: (517) 373-1123  
Fax: (517) 371-9860

Date: December 2, 2008

Mike McGrath  
Attorney General for the State of Montana

By:   
Mark McLaverty  
State of Montana  
Assistant Attorney General

STATE OF NEBRASKA

ATTORNEY GENERAL JON BRUNING

By:   
Lynne R. Fritz  
Assistant Attorney General  
Chief, Public Protection Bureau

Date: December 9<sup>th</sup>, 2008.

STATE OF Nevada

Attorney General Catherine Cortez Masto

By: Col F [Signature] - Senior Deputy AG

Date: 9 Dec, 2008

STATE OF NEW HAMPSHIRE

Attorney General Kelly A. Ayotte

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



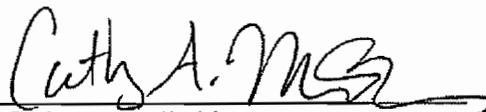
David A. Rienzo  
Consumer Protection and Antitrust Bureau  
33 Capitol Street  
Concord, New Hampshire 03301  
(603) 271-1249

Date: December 10, 2008

In the Matter of  
Santa Fe Natural Tobacco Company

Dated: December 11, 2008

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY

By: 

Cathy A. Melitski  
Deputy Attorney General  
Office of the Attorney General  
124 Halsey Street  
P.O. Box 45029-5029  
Newark, New Jersey 07101

GARY K. KING,  
Attorney General of New Mexico

By 

David K. Thomson  
Deputy Attorney General  
P. O. Drawer 1508  
Santa Fe, NM 87504-1508  
(505) 827-7416  
E-mail: [DThomson@nmag.gov](mailto:DThomson@nmag.gov)

STATE OF NORTH DAKOTA

Attorney General WAYNE STENEHEIM

By: Wayne Steneheim

Date: December 9, 2008

STATE OF Ohio

Attorney General Nancy H. Rogers

By: Susan C. Walker 

Date: November 24, 2008

STATE OF OKLAHOMA

W.A. Drew Edmondson  
Attorney General of the State of Oklahoma

By:



P. Clayton Eubanks  
Assistant Attorney General  
Tobacco Enforcement Unit

Date: November 25, 2008

STATE OF OREGON

Attorney General HARDY MYERS

By: Hardy Myers

Date: 12/10, 2008

STATE OF Pennsylvania

Attorney General Tom Corbett

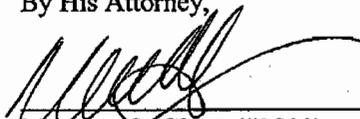
By: Carly G Wismer, DAG

Date: December 9, 2008

IN RE: Santa Fe Natural Tobacco Company, Inc. Settlement (NY)

Respectfully submitted,  
PATRICK C. LYNCH, in his capacity  
as Attorney General for the State of  
Rhode Island,

By His Attorney,



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Maureen G. Glynn (#3800)  
Assistant Attorney General  
Rhode Island Department of Attorney  
General  
150 South Main Street  
Providence, RI 02903-2907  
Tel: (401) 274-4400 x 2301  
Fax: (401) 222-2995

STATE OF South Carolina

Attorney General Henry D. McMaster

By: Dud Spencer A.A.G.

Date: Dec 9, 2008

STATE OF SOUTH DAKOTA

Attorney General Lawrence E. Long

By: Patricia Archer

Date: December 9<sup>th</sup>, 2008

STATE OF Tennessee

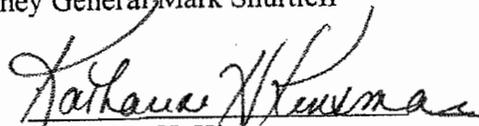
Attorney General Robert E. Cooper, Jr.

By: R E Cooper Jr

Date: November 26, 2008

STATE OF UTAH  
Attorney General Mark Shurtleff

By:



Katharine H. Kinsman  
Assistant Attorney General

Date: December 9, 2008

STATE OF VERMONT

Attorney General William Sorrell

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

*Christy Taylor Mihaly, AAG*

Date: Dec. 8, 2008

STATE OF Washington

Attorney General Rob McKenna

By: ROB MCKENNA

Date: Dec. 22, 2008

STATE OF WEST VIRGINIA

Attorney General DARRELL V. MCGRAW, JR

By: JOHN S. DALPORTO SR. ASST. ATT. GEN

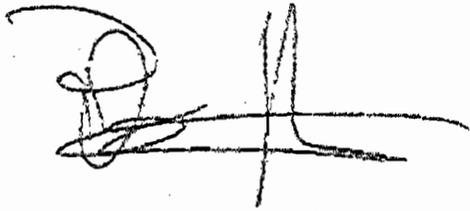
*John Dalporto*

Date: 12-12, 2008



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BRUCE A. SALZBURG  
Attorney General of Wyoming  
123 Capitol Avenue  
Cheyenne, WY 82002  
(307) 777-7841 (telephone)  
(307) 777-6869 (facsimile)

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a vertical line and a horizontal stroke.

PETER J. NICKLES  
Attorney General for the District of Columbia