

ORIGINAL

SETTLEMENT AGREEMENT

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2 1. The parties to this Settlement Agreement are the People of the State of California by
3 and through Bill Lockyer, Attorney General of the State of California, (hereinafter "California")
4 and United States Tobacco Company and its affiliates (hereinafter, "U.S. Tobacco").

5 2. On November 15, 1999, U.S. Tobacco caused to be inserted in *The Daily Aztec*, a
6 student-run newspaper distributed on the campus of San Diego State University, in San Diego,
7 California, an advertising insert that contained, among other things, an entry blank for a
8 sweepstakes entitled "The Ultimate Playboy Weekend" and a coupon for \$1 off a can of Rooster
9 brand smokeless tobacco.

10 3. California notified U.S. Tobacco that it considered the subject distribution of
11 tobacco product coupons in *The Daily Aztec* to be in violation of California Health and Safety
12 Code section 118950 ("section 118950), which prohibits the non-sale distribution of coupons for
13 tobacco products on public grounds.

14 4. The parties have engaged in discussions over the course of several months in an
15 attempt to resolve this dispute without the necessity for litigation, and because they desire to
16 avoid the expense, inconvenience and uncertainty of litigation, they have reached a mutually
17 acceptable resolution.

18 5. Without admitting that U.S. Tobacco violated section 118950, or any other
19 California laws, with respect to the subject distribution of \$1 off coupons for Rooster smokeless
20 tobacco in *The Daily Aztec*, U.S. Tobacco agrees as follows:

21 a. U.S. Tobacco will not distribute or cause to be distributed coupons for tobacco
22 products in *The Daily Aztec* or in any other newspaper distributed free of charge at
23 San Diego State University, at any time in the future; and

24 b. In lieu of civil penalties, U.S. Tobacco will pay a total of \$150,000, as directed by
25 the California Attorney General's Office, as follows:

26 (1) To defray the costs of an alternative ad to be published under the auspices
27 of the California Attorney General in *The Daily Aztec* during the fall 2000
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semester, U.S. Tobacco agrees to pay directly to Rogers & Associates an amount to be determined by the Attorney General's Office for development and publication of the alternative ad, which California currently estimates will cost between \$62,000 and \$78,000;

(2) U.S. Tobacco will pay to the Office of the California Attorney General the amount of \$12,000 to defray its reasonable investigative costs in this matter; and

(3) U.S. Tobacco will pay the remainder of the sum of \$150,000 (after payment for costs of the alternative ad and the Attorney General's investigative costs) to the State of California as liquidated damages.

6. California agrees that the alternative ad, referred to in paragraph 5.b(1), above, will not refer to U.S. Tobacco or its affiliates or to any employee of U.S. Tobacco or its affiliates by name or affiliation with U.S. Tobacco.

7. In exchange for U.S. Tobacco's agreement to all the conditions set forth in paragraph 5, above, California hereby releases U.S. Tobacco from any and all liability for the subject distribution of \$1 off coupons for Rooster smokeless tobacco, as described in paragraph 2, above.

8. This Settlement Agreement is for purposes of settlement only, and shall not be construed as an admission by U.S. Tobacco that it has violated section 118950 or any other California law.

Dated: 7-11-00

On behalf of United States Tobacco Company

By: Richard Varhey

Dated: 8/1/00

The People of the State of California

By: Dennis Eckhart
Sr. Asst. Atty. Gen