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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 Varhoj

Dated: 8/1/00

The People of the State of California

By: Dennis Eckhart  
Sr. Asst. Atty. Gen