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10 SUPERIOR COURT OF CALIFORNIA

11 COUNTY OF SACRAMENTO  
12  
13

14 **People of the State of California, ex rel. Bill Lockyer,**  
**Attorney General of the State of California,**

15 Plaintiff.  
16

17 v.

18 **GTC INDUSTRIES, LTD., also known as GOLDEN**  
**TOBACCO COMPANY, a foreign corporation, and**  
**DOES 1 through 100, inclusive,**

19 Defendant.  
20

**NOTICE OF ENTRY OF  
JUDGMENT**

21 **TO: DEFENDANT, GTC INDUSTRIES, LTD.**  
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1 PLEASE TAKE NOTICE THAT ON March 13, 2006, Sacramento County Superior  
2 Court Judge Shelleyanne W. L. Chang issued a Judgment in the above-captioned action. A true  
3 copy of the Judgment is attached here as Exhibit A and incorporated by reference herein  
4

5 Dated: March 20, 2006

6 Respectfully submitted,  
7 BILL LOCKYER  
8 Attorney General of the State of California  
9 TOM GREENE  
10 Chief Assistant Attorney General  
11 DENNIS ECKHART  
12 Senior Assistant Attorney General

13   
14 CORINNE LEE MURPHY  
15 Deputy Attorney General  
16 Attorneys for Plaintiff

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# **EXHIBIT A**

FILED  
ENDORSED

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SACRAMENTO COURTS  
DEPT. #53 #54

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Attorneys for Plaintiff

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SACRAMENTO

People of the State of California, ex rel. Bill Lockyer,  
Attorney General of the State of California,

Plaintiff,

v.

GTC INDUSTRIES, LTD., also known as GOLDEN  
TOBACCO COMPANY, a foreign corporation, and  
DOES 1 through 100, inclusive,

Defendant.

CASE NO. 05AS04120

~~PROPOSED~~ JUDGMENT BY  
COURT AFTER DEFAULT

THIS MATTER is before the Court on *Plaintiff's Request for Entry of Default Judgment* against Defendant **GTC INDUSTRIES, LTD., also known as GOLDEN TOBACCO COMPANY** (hereafter, "**GTC INDUSTRIES**"). This Court has considered *Plaintiff's Request for Entry of Default Judgment* and accompanying declarations, papers and exhibits thereto, and the entire record in this matter and hereby finds as follows:

1. The Attorney General of the State of California brings this action on behalf of Plaintiff, the People of the State of California, pursuant to California Health and Safety Code

1 section 104557(c), to enforce the reserve fund requirements of California Health and Safety Code  
2 sections 104555-104557.

3 2. The Defendant, **GTC INDUSTRIES**, is a company that has transacted and is  
4 transacting business in California and manufactures cigarettes as defined in California Health and  
5 Safety Code section 104556(i)(1).

6 3. At least thirty (30) days have passed since the date of service of the First  
7 Summons and Verified Complaint and **GTC INDUSTRIES** has failed to appear and defend in  
8 this court.

9 4. **GTC INDUSTRIES** was not at the time of service of said Summons and Verified  
10 Complaint, nor is now, an infant or minor, a financially incapable, incapacitated or incompetent  
11 person, nor in the military service as defined by Article 1 of the "Soldiers' and Sailors' Civil  
12 Relief Act of 1940" as amended (50 U.S.C. Appen. § 501 et seq.).

13 5. Jurisdiction has been reviewed and is proper pursuant to California Code of Civil  
14 Procedure, section 410.10.

15 6. Venue has been reviewed and is proper pursuant to California Code of Civil  
16 Procedure, section 393.

17 7. **GTC INDUSTRIES** has failed and continues to fail and/or refuse to comply or  
18 otherwise bring itself into compliance with the reserve fund requirements of California Health  
19 and Safety Code, sections 104555-104557 and implementing regulations (Title 11, Calif. Code of  
20 Reg., §§ 999.10a through 999.14).

21 8. **GTC INDUSTRIES** has engaged in and continues to engage in acts of unfair  
22 competition as defined in California Business & Professions Code, section 17200, in that **GTC**  
23 **INDUSTRIES** has failed to establish the required reserve fund and failed to certify compliance  
24 to the Attorney General, in violation of California Health and Safety Code sections 104555,  
25 104556, and 104557 and implementing regulations.

26 9. Notwithstanding notice, **GTC INDUSTRIES** failed to establish a Qualified  
27 Escrow Fund (as defined in California Health and Safety Code section 104556(f)) and also failed  
28 to make the annual deposits as required under California Health and Safety Code section 104557.

1 Accordingly, **GTC INDUSTRIES**'s actions constitute "knowing" violations.

2 10. **GTC INDUSTRIES** has committed two or more knowing violations of  
3 California Health and Safety Code section 104557 and is therefore subject to the maximum  
4 sanctions and penalties provided for under the reserve fund requirements of California Health  
5 and Safety Code section 104557.

6 **THEREFORE**, default having been entered by the clerk against **GTC INDUSTRIES**,  
7 as requested by Plaintiff, **JUDGMENT** is accordingly entered in favor of the Plaintiff and  
8 against **GTC INDUSTRIES** with respect to all claims, **AS FOLLOWS**:

9 A. **GTC INDUSTRIES** shall, within fifteen (15) days of this Order, place into a  
10 Qualified Escrow Fund the following amounts as such amounts are adjusted for inflation as  
11 required by California Health and Safety Code section 104557(a)(2):

12 **Sales during the year 2004:**

13 **(17,220,620 units x \$0.0167539) plus 20.15103% for inflation for a total of  
\$346,651.08.**

14 B. **GTC INDUSTRIES** shall, within fifteen (15) days of this Order, provide Plaintiff  
15 with a list of the names of all cigarette brands manufactured by **GTC INDUSTRIES**, as well as  
16 unit sales information and supporting documentation for sales in California in 2004.

17 C. **GTC INDUSTRIES** shall, within fifteen (15) days of this Order, pay civil penalties  
18 in the amount of 300% of the escrow amounts improperly withheld, for a total of **\$1,039,953.24**  
19 for knowingly violating California Health and Safety Code section 104557(a)(2), (c), by failing  
20 to certify to the Attorney General for the State of California that it is in compliance with  
21 California's reserve fund statute and for knowingly failing to establish a qualified escrow fund  
22 as defined under California Health and Safety Code section 104556(f) and knowingly failing to  
23 deposit sufficient escrow funds into a qualified escrow fund as required under California Health  
24 & Safety Code section 104557.

25 D. Pursuant to California Health and Safety section 104557(c)(3), **GTC INDUSTRIES**  
26 is hereby enjoined and otherwise prohibited from selling *any* cigarettes in California for a two-  
27 year period commencing from the date of this Order, either directly or through a distributor,  
28 retailer or other intermediary, *including but not limited to*, the following brands: "Double

1 Diamond.”

2 E. Pursuant to Business and Professions Code section 17206, **GTC INDUSTRIES** shall,  
3 within fifteen (15) days from the date of this Order, pay a penalty of \$2,500.00 for each violation  
4 of Business and Professions Code section 17200 alleged in the Third Cause of Action, for a total  
5 assessed penalty of **\$5,000.00** in addition to the penalty specified in Paragraph C of this  
6 judgment.

7 F. **GTC INDUSTRIES** shall, within fifteen (15) days from the date of this Order, shall  
8 appoint an agent for service of process in California (pursuant to Revenue & Taxation Code  
9 section 30165.1(f)(1)) for enforcement of this judgment and order until this judgment is satisfied,  
10 the order is obeyed and the injunction is dissolved.

11 G. The Court shall retain jurisdiction in this matter.

12 H. **GTC INDUSTRIES** shall within fifteen (15) days of this Order, pay all Plaintiff's  
13 reasonable costs, including but not limited to filing fees in the amount of **\$241.50** pursuant to  
14 Government Code section 6103.5 and subject to modification and/or further relief as this Court  
15 deems just and proper.

16 I. The Court further orders, as just and appropriate, the following:

17 1) Name/Address of Judgment Creditors:

18 State of California  
19 c/o Department of Justice–Office of the Attorney General  
1300 I. Street  
20 P.O. Box 944255  
Sacramento, CA 94244-2550

21 2) Name/Address/Phone-Judgment Creditor's Attorney:

22 Peter M. Williams, Deputy Attorney General  
23 Department of Justice–Office of the Attorney General  
1300 I. Street  
24 P.O. Box 944255  
Sacramento, CA 94244-2550  
(916) 323-3795

25 3) Name/Address-Judgment Debtor:

26 **GTC INDUSTRIES**  
27 S V Road  
Vile Parle W  
28 Mumbai, India

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- 4) Principal Amount of Judgment for Escrow: \$ 346,651.08
- 5) Principal Amount of Judgment for Penalties: \$1,044,953.24
- 6) Costs: \$ 241.50
- 7) Post-judgment simple interest at the rate of ten percent (10%) per annum on the total

judgment which consists of items 4 thru 6 from the date of judgment is entered until fully paid.

IT IS SO ORDERED, ADJUDGED AND DECREED.

Dated: MAR 13 2006

JUDGE SHELLEYANNE W. L. CHANG  
Judge of the Superior Court



**DECLARATION OF SERVICE BY U.S. MAIL**

Case Name: PEOPLE v. GTC INDUSTRIES, et al.

No.: Sacramento Superior Court Case No. 05AS04120

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is 1300 I Street, Suite 125, P.O. Box 944255, Sacramento, CA 94244-2550.

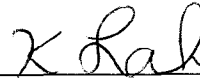
On March 20, 2006, I served the attached **CASE MANAGEMENT STATEMENT** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the United States Mail at Sacramento, California, addressed as follows:

J.P. Khetan. Managing Director  
GTC INDUSTRIES LTD.  
S V Road, Vile Parle (W),  
Mumbai, India 400 056

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on March 20, 2006, at Sacramento, California.

\_\_\_\_\_  
Kim Lahn

Declarant

\_\_\_\_\_

Signature