ORIGINAL

<u>SETTLEMENT AGREEMENT</u>

- 1. The parties to this Settlement Agreement are the People of the State of California by and through Bill Lockyer, Attorney General of the State of California, (hereinafter "California") and United States Tobacco Company and its affiliates (hereinafter, "U.S. Tobacco").
- 2. On November 15, 1999, U.S. Tobacco caused to be inserted in *The Daily Aztec*, a student-run newspaper distributed on the campus of San Diego State University, in San Diego, California, an advertising insert that contained, among other things, an entry blank for a sweepstakes entitled "The Ultimate Playboy Weekend" and a coupon for \$10ff a can of Rooster brand smokeless tobacco.
- 3. California notified U.S. Tobacco that it considered the subject distribution of tobacco product coupons in *The Daily Aztec* to be in violation of California Health and Safety Code section 118950 ("section 118950), which prohibits the non-sale distribution of coupons for tobacco products on public grounds.
- 4. The parties have engaged in discussions over the course of several months in an attempt to resolve this dispute without the necessity for litigation, and because they desire to avoid the expense, inconvenience and uncertainty of litigation, they have reached a mutually acceptable resolution.
- 5. Without admitting that U.S. Tobacco violated section 118950, or any other California laws, with respect to the subject distribution of \$1 off coupons for Rooster smokeless tobacco in *The Daily Aztec*, U.S. Tobacco agrees as follows:
 - U.S. Tobacco will not distribute or cause to be distributed coupons for tobacco
 products in *The Daily Aztec* or in any other newspaper distributed free of charge at
 San Diego State University, at any time in the future; and
 - b. In lieu of civil penalties, U.S. Tobacco will pay a total of \$150,000, as directed by the California Attorney General's Office, as follows:
 - (1) To defray the costs of an alternative ad to be published under the auspices of the California Attorney General in *The Daily Aztec* during the fall 2000