STIPULATION

It is hereby stipulated, understood, and agreed by the People of the State of California ("the People") and U.S. Smokeless Tobacco Company ("USSTC") (collectively "the Parties") that:

1. The People and USSTC are signatories to the Smokeless Tobacco Master Settlement Agreement ("STMSA") which settled the litigation entitled The People of the State of California, et al. v. Philip Morris Inc., et al., Sacramento Superior Court 97AS03031, Judicial Council Coordinated Proceeding JCCP 4041, and other claims and matters as described therein.
2. Pursuant to the STMSA, this Court entered a Consent Decree and Final Judgment ("Consent Decree") on December 9, 1998, retaining continuing jurisdiction for the purpose of implementing and enforcing the STMSA and Consent Decree.

3. Section III(c)(2)(A) of the STMSA provides that "No Participating Manufacturer may engage in more than one Brand Name Sponsorship in the States in any twelve-month period (such period measured from the date of the initial sponsored event)."

4. "Brand Name Sponsorship" is defined in Section II(h) of the STMSA: "'Brand Name Sponsorship' means an athletic, musical, artistic, or other social or cultural event as to which payment is made (or other consideration is provided) in exchange for use of a Brand Name or Names (1) as part of the name of the event or (2) to identify, advertise, or promote such event or an entrant, participant, or team in such event in any other way. Sponsorship of a single national or multi-state series or tour (for example, NASCAR (including any number of NASCAR races)), or of one or more events within a single national or multi-state series or tour, or of an entrant, participant, or team taking part in events sanctioned by a single approving organization (e.g., NASCAR or CART), constitutes one Brand Name Sponsorship. Sponsorship of an entrant, participant, or team by a Participating Manufacturer using a Brand Name or Names in an event that is part of a series or tour that is sponsored by such Participating Manufacturer or that is part of a series or tour in which any one or more events are sponsored by such Participating Manufacturer does not constitute a separate Brand Name Sponsorship. Sponsorship of an entrant, participant or team by a Participating Manufacturer using a Brand Name or Names in any event (or series of events) not sponsored by such Participating Manufacturer constitutes a Brand Name Sponsorship. The term ‘Brand Name Sponsorship’ shall not include an event in an Adult-Only Facility."

5. USSTC’s current Brand Name Sponsorship is of Professional Bull Riders, Inc. ("PBR"). PBR is a professional bull riding organization based in Pueblo, Colorado. PBR conducts bull-riding events throughout the United States and internationally, including the Built Ford Tough Series, the Copenhagen Bull Riding Challenger Tour, the Enterprise Tour and the Discovery Tour.
6. USSTC’s Brand Name Sponsorship of the PBR, under its “Copenhagen Bull Riding” service mark, includes the rights to arena signage and other sponsorship indicia at PBR Built Ford Tough Series events and at the Copenhagen Bull Riding Challenger Tour events held in the United States. USSTC also sponsors three bull riders under its “Team Copenhagen” service mark.

7. Based on PBR’s 2008 schedule, USSTC’s Brand Name Sponsorship of the PBR includes the rights to display arena signage and other sponsorship indicia at four Built Ford Tough Series events and five Copenhagen Bull Riding Challenger Tour events in the State of California. USSTC’s sponsored bull riders have competed in California at Built Ford Tough Series events and Copenhagen Bull Riding Challenger Tour events, and one of USSTC’s sponsored bull riders has competed in California at one of the nine Enterprise Tour events in California.

8. A dispute has arisen between the Parties with respect to what constitutes “a single national or multistate series or tour” (STMSA § II(h)) within the context of USSTC’s Brand Name Sponsorship of PBR. USSTC takes the position that the PBR organization itself is organized similarly to NASCAR, the example given in STMSA § II(h), and is therefore “a single national or multistate series or tour”; and, consequently, the STMSA permits sponsorship of the PBR organization itself and any number of events organized by PBR. The People, on the other hand, contend that the PBR organization is a sanctioning body or approving organization, as is NASCAR, and the PBR’s Built Ford Tough Series, Copenhagen Bull Riding Challenger Tour, Enterprise Tour and Discovery Tour are each a “national multi-state series or tour,” and that the STMSA permits sponsorship of only one of these series or tours.

9. A dispute has also arisen between the Parties about whether or not Section II(h) of the STMSA means that USSTC may sponsor three bull riders that compete within its Brand Name Sponsorship of PBR. The People contend that the definition means that USSTC may sponsor only one bull rider as “an entrant [or], participant” within USSTC’s sponsorship of one PBR multi-state series or tour because all competition among bull riders in the Built Ford Tough Series, the Copenhagen Bull Riding Challenger Tour, the Enterprise Tour and the Discovery
Tour is on an individual, and not a team, basis. The People further contend that the only PBR competition involving teams is the PBR Team Shootout – a five event competition involving two-man teams made up according to points standings and without regard to corporate sponsors.

USSTC, on the other hand, contends that the STMSA expressly states – as a matter of definition – that the sponsorship of “an entrant, participant, or team” within a sponsored series or tour does not constitute a separate Brand Name Sponsorship, and, therefore, USSTC contends that the sponsorship of the bull riders as “entrants” does not constitute separate Brand Name Sponsorships. In the alternative, USSTC contends that USSTC’s three sponsored bull riders are organized and sponsored as a team (as are numerous other sponsored teams of bull riders who compete in the PBR, including but not limited to Team Enterprise, Team Rocky Boots, Team Big Tex Trailers, Team Xpress, and Team Kershaw Knives), and therefore the sponsorship of this team does not constitute a separate Brand Name Sponsorship.

10. To avoid the expense and delay of litigation over the disputes described in paragraphs 8 and 9 above, regarding application of section II(h) of the STMSA to USSTC’s Brand Name Sponsorship of PBR events occurring within the State of California, and in order to resolve these issues, the Parties agree as follows:

a. The Parties voluntarily enter into this Stipulation for Final Judgment in order to achieve a final and binding resolution of the above-described disputes and issues.

b. The terms of this Stipulated Final Judgment shall be final and binding within the State of California, on USSTC in its corporate capacity, acting through any and all of its respective successors, assigns, officers, agents, employees, representatives, subsidiaries, divisions, other internal organizational units of any kind, and any and all others who act under, by, through, or on behalf of USSTC.

c. The terms of this Stipulated Final Judgment shall be final and binding on the People of the State of California and on its legal representative, the Attorney General of the State of California, acting through any and all of their respective successors, assigns, officers, agents, employees, representatives, and any and all others who act under, by, through, or on behalf of them.

d. For as long as USSTC engages in its Brand Name Sponsorship of PBR,
USSTC shall limit such sponsorship in the State of California to one PBR series or tour (e.g., the Built Ford Tough Series or the Copenhagen Bull Riding Challenger Tour), and USSTC shall terminate its Brand Name Sponsorship of any events occurring in the State of California as part of any other PBR series or tour.

e. For as long as USSTC engages in its Brand Name Sponsorship of PBR, USSTC may sponsor in the State of California up to three bull riders, provided that USSTC’s Brand Name Sponsorship of three bull riders is limited to events within the single PBR series or Tour it chooses for its Brand Name Sponsorship, as described in paragraph 10(d) above, and provided that USSTC’s Brand Name Sponsored bull riders shall not wear or otherwise display any of USSTC’s Brand Names when they compete in any other PBR series or tour that is not part of USSTC’s Brand Name Sponsorship, as described in paragraph 10(d), above.

f. Notwithstanding the foregoing, nothing herein shall require USSTC to select the PBR, including any of its events and bull riders, as its Brand Name Sponsorship.

g. The Parties agree that this Stipulation and Final Judgment shall have the same force and effect as though the Parties had fully litigated to judgment the disputes described above, and the parties intend that this Stipulation and Final Judgment shall bar them from any and all subsequent litigation between the Parties over the meaning of the terms “single national or multistate series or tour” and “an entrant, participant, or team” in section II(h) of the STMSA within the context of USSTC’s PBR Brand Name Sponsorship, as resolved by this Stipulation and Final Judgment. Notwithstanding the foregoing, by execution of this Stipulation and agreeing to entry of judgment providing the relief and remedies specified herein, USSTC does not admit any violations of the STMSA or Consent Decree, or any other law or legal duty, and specifically denies that it has committed any such violations.

h. The court retains jurisdiction over the Parties for the purpose of enabling either Party to apply to the Court at any time for such further orders or directions as may be necessary or appropriate for the construction, modification, carrying out and/or enforcement of this Stipulation and Final Judgment. The Parties agree that the Court may
use all of its powers in its supervision of this Stipulation and Final judgment.

i. Except as provided in sub-paragraphs 10(d), (e) and (f) above, nothing in this Stipulation and Final Judgment shall constitute a waiver of any Party's right to seek in the future an enforcement order or a declaration under the STMSA and/or the Consent Decree that construes any of their terms.

j. The Parties agree that this Stipulation and Final Judgment applies only to USSTC's Brand Name Sponsorship of PBR events held within the State of California.

k. Each signatory to this Stipulation and Final Judgment certifies that he or she is fully authorized by the party he or she represents to enter into and execute this Stipulation on behalf of the Party represented and to legally bind that Party.

l. This Stipulation and Final Judgment shall take effect immediately upon notice of entry thereof.

m. This Stipulation and Final Judgment may be executed in counterparts. Facsimile, photocopied, or electronically imaged signatures shall be considered valid signatures as of the date affixed, although the original signatures shall thereafter be appended.

n. Each Party is to bear its own costs, expenses, and attorneys' fees in connection with this dispute and Stipulation and Final Judgment.

DATED: January 30, 2009
EDMUND G. BROWN JR.
Attorney General of the State of California
DENNIS ECKHART
Senior Assistant Attorney General
SHARI POSNER State Bar No. 168738
MICHELLE HICKERSON State Bar No. 199748

By: Dennis Eckhart
Attorneys for the PEOPLE OF THE STATE OF CALIFORNIA

DATED: January 21, 2009

By: Chris Athanasia
Attorney for U.S. SMOKELESS TOBACCO COMPANY
[PROPOSED] FINAL JUDGMENT

The Parties having stipulated to entry of judgment on the terms set forth above, and the Court having reviewed the terms of the Stipulation and Final Judgment, the Court approves this Stipulation and Final Judgment as a fair and reasonable resolution of the issues described in the Stipulation.

IT IS SO ORDERED ADJUDGED AND DECREED. The clerk shall enter this Stipulation and Final Judgment.

DATED: FEB 03 2009

RONALD S. PRAGER
JUDGE OF THE SUPERIOR COURT
DECLARATION OF SERVICE BY U.S. MAIL


No.: SAN DIEGO SUPERIORCOURT JCCP 4041 TOBACCO CASES I

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 January 30, 2009, I served the attached LETTER TO THE HONORABLE RONALD S. PRAGER AND STIPULATION FOR ENTRY OF JUDGMENT AND [PROPOSED] FINAL JUDGMENT 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:

Chris Athanasia
U.S. Smokeless Tobacco Company
6 High Ridge Park, Bodg. A
Stamford, CT 06905-1323

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 January 30, 2009, at Sacramento, California.

__________________________  __________________________
Kim Lahn                  Kim Lahn
Declarant                  Signature