



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

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June 10, 2014

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Via Electronic and U.S. Mail

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Re: Settlement of NPM Adjustment disputes

Dear Counsel:

This will confirm our agreement that the Commonwealth of Kentucky and the listed Participating Manufacturers (the "PMs"¹) have agreed to settle NPM Adjustment disputes on the terms set forth in the November 14, 2012 Term Sheet for settlement of NPM Adjustment

¹ The PMs are those listed in footnote 4 of the Stipulated Award, Tabacalera del Este, S.A. (TABESA), U.S. Flue-Cured Tobacco Growers Inc., and Wind River Tobacco Company LLC.



disputes ("Term Sheet") and reflected in the March 12, 2013 Stipulated Partial Settlement and Award ("Stipulated Award"), except as follows.

1. The provisions of Section I.A.2 of the Term Sheet and Paragraphs 1-2 of Appendix A to the Term Sheet are modified as follows. The OPMs will receive from Kentucky a total amount equal to (a) 65% of Kentucky's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of Kentucky's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings. The amount in clause (a) equals \$58,459,031.25. The amount in clause (b) equals \$70,254,976.94.

2. It is recognized that \$71,949,576.93 of the amount under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) was conferred on the OPMs by means of an offset and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA. Accordingly, the amount under Paragraph 1 will be conferred on the OPMs in the manner provided in Paragraph 3 of Appendix A to the Term Sheet with the following modifications. In 2014, (i) within 14 days of this agreement, R.J. Reynolds Tobacco Co. will pay \$21,914,242.24 to Kentucky; (ii) the OPMs will retain the remainder of the \$71,949,576.93; and thus (iii) the amount conferred on the OPMs in 2014 will be \$50,035,334.69. In subsequent years, (i) the OPMs will receive a credit against the MSA annual payment due to Kentucky on April 15, 2015 in the amount of \$14,321,669.40 (plus interest at the Prime Rate calculated from April 15, 2014), with the credit to be allocated between Philip Morris USA and Lorillard in the manner they direct; and (ii) the OPMs will receive the percentage reductions as to Kentucky under Paragraphs 3(A)(ii) and 3(B) of Appendix A to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2018 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014).

3. Kentucky will receive releases of its Allocable Share of the OPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 5 of Appendix A to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to OPMs); and (ii) amounts attributable to the 2010-2011 NPM Adjustments will be included. The total of Kentucky's Allocable Share of the OPMs' NPM Adjustment amounts in the DPA attributable to the 2004-2011 NPM Adjustments is approximately \$83 million, which shall be released to Kentucky from the DPA in 2014 (assuming the Independent Auditor provides the confirmation specified in Paragraph 5 of Appendix A to the Term Sheet during 2014). In 2014, therefore, Kentucky will receive approximately \$83 million and confer, pursuant to Paragraph 2 above, approximately \$50 million. Kentucky's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2012 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The process for payments to the SPMs set forth in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award governs, except that the reference to the same (*i.e.*, no greater) relative

payment amounts refers to the payment amounts set forth in Paragraph 1 above and the reference to the same general timetable refers to the timetable set forth in Paragraph 2 above. The amounts for the SPMs paralleling the amounts for OPMs in the last sentence of Paragraph 1 above are included in the SPM Addendum hereto, along with provisions parallel to Paragraph 2 with respect to crediting amounts already conferred net of reimbursement paid and Paragraph 3 with respect to releases of Kentucky's share of DPA amounts.

5. Kentucky's payment for the 2013 transition year under Section II.C of the Term Sheet is \$3,367,413.71 to the OPMs and \$219,631.53 to the listed SPMs. Because the 2014 MSA payment date to which these payments would have been applied as offsets under the Term Sheet has passed, they will instead be applied as offsets in connection with the MSA payment due April 15, 2015 (in addition to offsets arising from payments, if any, due from Kentucky under Section II.B of the Term Sheet as to 2013 and under Section II.C of the Term Sheet as to 2014).

6. Section I.B of the Term Sheet will not apply to Kentucky.

7. 2003 Non-Diligent States Differential Judgment Reduction. Kentucky and the PMs believe that Kentucky's settlement is to give rise to the same method of reduction in the 2004-12 NPM Adjustments that may be applied to Non-Signatory States as does the settlement of the Settling States that became Signatory States prior to the issuance of the 2003 Arbitration Panel's September 11, 2013 Final Awards (the "Initial Signatory States"). The following will apply with respect to any argument or ruling to the contrary.

(a) The PMs will oppose any argument to the contrary. Kentucky will cooperate to the extent reasonably requested by the PMs in connection with their opposition.

(b) If the 2004 Arbitration Panel (or any other tribunal or court) nonetheless rules that Kentucky's settlement gives rise to a different method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States than does the settlement of the Initial Signatory States, the following will apply.

(i) Kentucky will pay to the OPMs an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Kentucky's settlement; or (B) \$31 million. That amount would be paid as an offset against the OPMs' annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid. Parallel provisions for the listed SPMs are included in the SPM Addendum hereto. In the event that an offset due under this subparagraph could not be credited without exceeding Kentucky's share of the relevant companies' payment under Section IX(c) of the MSA for the year in

question, the offset will carry forward with interest at the Prime Rate. The final settlement agreement referenced in Paragraph 8 will include provisions specifying the operation and order of the offset.

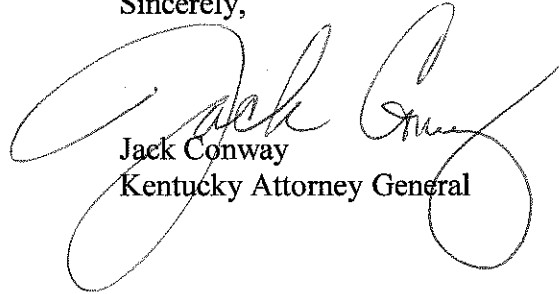
(ii) If there is a ruling as to the 2004 NPM Adjustment described in the introductory sentence of this subparagraph (b), both that introductory sentence and the entirety of subparagraph (b)(i) would apply to the 2005 NPM Adjustment as well, with any amounts owed being in addition to those owed with respect to the 2004 NPM Adjustment. However, if the 2004 Arbitration Panel rules that Kentucky's settlement gives rise to the same method of reduction in the 2004 NPM Adjustment that may be applied to Non-Signatory States as does the settlement of the Initial Signatory States and that ruling is not vacated or modified in such a way as results in a ruling described in the introductory sentence of this subparagraph (b), then the provisions of subparagraph (b)(ii) shall not apply in any subsequent NPM Adjustment arbitration. In no event are the provisions of Paragraph 7 applicable to any other NPM Adjustment arbitration other than the 2004 NPM Adjustment and the 2005 NPM Adjustment.

8. The final settlement agreement as referenced in Section IV.F of the Term Sheet will reflect the provisions set forth above as to Kentucky. The PMs will allow Kentucky to participate in the completion of the drafting of the final settlement agreement along with the other Signatory States.

9. If a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003 NPM Adjustment as to that State (including, but not limited to, if the settlement also settles any or all of the 2004-2012 NPM Adjustments) and the settlement contains overall terms more relatively favorable to that State than the terms set forth above as to Kentucky, then the overall terms of this agreement will be revised as to that PM so that Kentucky will obtain with respect to that PM overall terms substantially equal (on an Allocable Share basis) to those obtained by that State in all respects, including but not limited to the financial terms of the agreement. For example, if a PM enters into a settlement with a State that was found non-diligent for 2003 that settles the 2003-2012 NPM Adjustments and provides for the PM to receive any less for those Adjustments than the total of (a) 65% of the non-diligent State's allocated and reallocated share of the 2003 NPM Adjustment, plus interest and earnings, as reflected in the Independent Auditor's Revised Final Calculations for the MSA payment due on April 15, 2014 (Notice ID: 0414); and (b) 55% of the non-diligent State's Allocable Share of the OPMs' full 2004-2012 NPM Adjustments, plus interest and earnings, this agreement shall be revised as to that PM so that Kentucky will obtain the same percentages. Furthermore, if a PM settles with a State that was found to be non-diligent for 2003 on terms with respect to the subject matter of Paragraph 7 of this agreement that are more favorable to that State (on an Allocable Share basis) than the terms of Paragraph 7, this agreement shall be promptly revised as to that PM so that Kentucky will also obtain the same terms (on an Allocable Share basis).

10. All capitalized terms not otherwise defined herein have the meaning given those terms in the MSA, the Term Sheet or the Stipulated Award.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Conway", written in a cursive style with large loops and flourishes.

Jack Conway
Kentucky Attorney General

SPM ADDENDUM TO KENTUCKY JOINDER AGREEMENT

1. Pursuant to Paragraph 1 of the letter to which this SPM Addendum is attached, and subject to confirmation by the Independent Auditor under the procedures set out in MSA § XI(d) that each of the below listed amounts are accurate and correct, each SPM shall receive the following amounts under clause (a) and clause (b) of Paragraph 1 and in total from Kentucky pursuant to the settlement:

SPM	Clause (a)	Clause (b)	Total
Commonwealth Brands, Inc.	2,028,993.01	2,478,485.30	4,507,478.31
Monte Paz	730.60	7,113.22	7,843.82
Daughters & Ryan, Inc.	1,313.49	2,627.93	3,941.42
Farmers Tobacco Co.	257,167.15	213,087.73	470,254.88
House of Prince A/S	303,945.45	88.94	304,034.38
Japan Tobacco International U.S.A., Inc.	59,779.35	69,734.36	129,513.71
King Maker Marketing, Inc.	87,206.30	70,406.78	157,613.08
Kretek International	8,222.78	10,699.49	18,922.26
Lane Limited	0.00	14,366.16	14,366.16
Liggett Group LLC	630,441.57	738,297.68	1,368,739.26
Lignum-2, Inc.	0.00	61,474.64	61,474.64
Peter Stokkebye Tobaksfabrik A/S	22,911.86	11,613.64	34,525.50
Premier Manufacturing, Inc.	0.00	64,320.57	64,320.57
P.T. Djarum	29,446.37	39,306.06	68,752.43
Reemtsma Cigarettenfabriken GmbH	0.00	3.01	3.01
Santa Fe Natural Tobacco Company, Inc.	121,996.87	405,155.35	527,152.22
Sherman 1400 Broadway N.Y.C., Inc.	9,448.78	10,936.88	20,385.65
TABESA	0.00	26,552.99	26,552.99
Top Tobacco, L.P.	89,004.10	125,374.25	214,378.35
U.S. Flue-Cured Tobacco Growers, Inc.	0.00	34,653.76	34,653.76
Vector Tobacco Inc.	0.00	33,023.69	33,023.69
Von Eicken Group	1,132.86	1,196.77	2,329.63
Wind River Tobacco Company, LLC	0.00	1,817.83	1,817.83
Total	3,651,740.53	4,420,337.01	8,072,077.55

2. (a) It is recognized that the following amounts under Paragraph 1 (net of reimbursement paid under the Agreement Regarding Arbitration) were conferred on the SPMs by means of offsets and/or releases from the Disputed Payments Account ("DPA") in connection with the April 15, 2014 MSA payment and subsequent releases from the DPA:

SPM	Amount Already Received by SPM
Commonwealth Brands, Inc.	2,497,222.17
Monte Paz	899.20

Daughters & Ryan, Inc.	1,616.60
Farmers Tobacco Co.	\$124,821.19 ²
House of Prince A/S	374,086.70 ³
Japan Tobacco International U.S.A., Inc.	73,574.59
King Maker Marketing, Inc.	107,330.83
Kretek International	10,120.34
Lane Limited	0.00
Liggett Group LLC	775,928.09
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	28,199.21
Premier Manufacturing, Inc.	0.00
P.T. Djarum	36,241.69
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	150,149.99
Sherman 1400 Broadway N.Y.C., Inc.	11,629.26
TABESA	0.00
Top Tobacco, L.P.	109,543.51
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	1,394.29
Wind River Tobacco Company, LLC	0.00
Total	4,302,757.67

(b) Accordingly, subject to confirmation by the Independent Auditor under the procedures set out in MSA § XI(d) that each of the below listed amounts are accurate and correct, the remaining amounts under Paragraph 1 will be conferred on the SPMs in the manner provided in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award with the following modifications:

- (i) Each SPM will retain the amount already received in Paragraph 2(a), except that the credit of \$374,086.70 that remains for House of Prince to carry forward or transfer with respect to Kentucky shall be reduced by \$70,052.32 to reflect House of Prince's total settlement amount of \$304,034.38;
- (ii) The following SPMs will receive a credit against the MSA annual payment due to Kentucky on April 15, 2015 in the amount set out below (plus interest at the Prime Rate calculated from April 15, 2014), with the provisions in Appendix A and the SPM

² Represents interest amounts taken as an offset against April 2014 payment. See also Paragraph 2(b)(v).

³ House of Prince's 2003 NPM Adjustment credit was not used against a payment or transferred, so remains available for carry forward and/or transfer.

Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award regarding carry forward and/or transfer of SPM credits governing as applicable:

SPM	Credit Amount
Commonwealth Brands, Inc.	2,010,256.14
Monte Paz	6,944.62
Daughters & Ryan, Inc.	2,324.82
Farmers Tobacco Co.	0.00
House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	55,939.12
King Maker Marketing, Inc.	50,282.25
Kretek International	8,801.92
Lane Limited	14,366.16
Liggett Group LLC	0.00
Lignum-2, Inc.	61,474.64
Peter Stokkebye Tobaksfabrik A/S	6,326.29
Premier Manufacturing, Inc.	64,320.57
P.T. Djarum	32,510.74
Reemtsma Cigarettenfabriken GmbH	3.01
Santa Fe Natural Tobacco Company, Inc.	7,995.67
Sherman 1400 Broadway N.Y.C., Inc.	8,756.39
TABESA	26,552.99
Top Tobacco, L.P.	104,834.84
U.S. Flue-Cured Tobacco Growers, Inc.	34,653.76
Vector Tobacco Inc.	0.00
Von Eicken Group	935.34
Wind River Tobacco Company, LLC	1,817.83
Total	2,499,097.10

- (iii) Santa Fe Natural Tobacco Company, Inc. will receive the percentage reductions as to Kentucky under Paragraph 4(iii) of the SPM Addendum to the Term Sheet in connection with the annual payments under Section IX(c)(1) of the MSA due in each of April 2015-2017 (with the interest on such reductions specified in Paragraph 3(A)(ii) of Appendix A to the Term Sheet calculated from April 15, 2014);
- (iv) Kentucky's Allocable Share of the amount that Liggett Group LLC ("Liggett") and Vector Tobacco Inc. (Vector Tobacco") withheld with respect to the NPM Adjustments in various years from 2004-2010 is larger than the remaining amount these companies are to receive under the settlement for the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 after the offset they received as described in Paragraph 2(a) above. Accordingly Liggett and Vector will receive no credit against their MSA

payments from the settlement as it relates to the NPM Adjustment claims for 2003-2012 and the Transition Year credit for 2013 and instead will receive those remaining benefits of the settlement and address previously withheld amounts for the 2004-2010 adjustments as follows: No later than April 15, 2015, each of those companies will pay to Kentucky the excess of (a) \$44,098,631 (for Liggett) or \$2,624,630 (for Vector Tobacco) multiplied by Kentucky's Allocable Share over (b) the remaining amount to which that company is entitled under this settlement for the NPM Adjustments for 2003-12 (\$592,811.17 for Liggett and \$33,023.69 for Vector Tobacco) and the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$58,831.89 for Liggett and \$4,610.61 for Vector Tobacco); plus (c) 12.8090288% of \$27,185,288 (for Liggett) or \$1,834,639 (for Vector Tobacco) multiplied by Kentucky's Allocable Share. That payment amount shall be \$152,096.62 for Liggett and \$10,485.42 for Vector Tobacco. Following these payments, the amount Liggett and Vector Tobacco have withheld with respect to NPM Adjustments shall be reduced by \$44,098,631 (for Liggett) and \$2,624,630 (for Vector Tobacco) multiplied by Kentucky's Allocable Share, plus the amount of all accrued interest on those amounts, reflecting the settlement between Liggett and Vector Tobacco and Kentucky with respect to Liggett and Vector Tobacco's claims for the NPM Adjustment.

(v) Farmers Tobacco Company of Cynthiana, Inc. ("Farmers") withheld money with respect to the NPM Adjustments from 2003 through 2009 from its April 15, 2011 MSA payment and also with respect to the NPM Adjustments from 2010 to 2012 from its April 15, 2013 MSA payment but only on the allocable shares of the Initial Non-Signatory States. Kentucky's Allocable Share of the amount that Farmers withheld with respect to the NPM Adjustments is larger than the amount Farmers is to receive under the settlement for the NPM Adjustment claims for 2003-2012 as described in Paragraph 2(a) above and the Transition Year credit for 2013. Accordingly Farmers will receive no credit against its MSA payment from the settlement as it relates to the NPM Adjustment claims for 2003-2012 or the Transition Year credit for 2013 and instead will receive these benefits of the settlement and address previously withheld amounts as follows:⁴

(A) *2003 NPM Adjustment*: Non-Signatory States' Allocable Share of 2003 NPM Adjustment of \$2,257,291.41 plus interest from April 15, 2004 to April 15, 2011 of \$1,040,385.27 (\$3,297,676. 68) multiplied by Kentucky's allocable share pursuant to the Final Awards of 11.9975934% (\$395,641.76) multiplied by 65% (\$257,167.15); less Kentucky's allocable share (11.9975934%) of interest of \$1,040,385.27 (\$124,821.17); less Kentucky's post-judgment portion of the 2003 NPM Adjustment amount withheld by Farmers of \$4,185,243.25 (\$270,820.59), subtotal of -\$138,474.62;

(B) *2004-2012 NPM Adjustment [IX(c)(1)]*: Kentucky's Allocable Share of 2004-2012 NPM Adjustment of \$21,391,708.30 [IX(c)(1)] multiplied by Kentucky's allocable share of 1.7611586% (\$376,741.91) multiplied

⁴ The parties agree that Farmers Tobacco's payment obligation to Kentucky under the Agreement Regarding Arbitration is satisfied with the payment described herein.

by 55% (\$207,208.05); less Kentucky's Allocable Share (1.7611586%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$21,391,708.30 [IX(c)(1)] (\$376,741.91), subtotal of -\$169,533.86;

(C) 2004-2012 NPM Adjustment [IX(c)(2)]: Kentucky's Allocable Share of 2004-2012 NPM Adjustment of \$1,416,057.32 [IX(c)(2)] multiplied by Kentucky's allocable share of 0.7549361% (\$10,690.33) multiplied by 55% (\$5,879.68); less Kentucky's Allocable Share (0.7549361%) of 2004-2012 NPM Adjustment amount withheld by Farmers of \$1,416,057.32 [IX(c)(2)] (\$10,690.33), subtotal of -\$4,810.65;

(D) plus the amount to which that company is entitled under this settlement for the Transition Year credit for 2013 (\$7,302.07), for a net amount due from Farmers of \$305,517.06.

No later than April 15, 2015, Farmers will pay this amount, \$305,517.06, to Kentucky. Following this payment, the amount Farmers has withheld with respect to NPM Adjustments shall be reduced by \$270,820.65 (\$2,257,291.41, the Non-Signatory States' Allocable Share of 2003 NPM Adjustment, multiplied by Kentucky's allocable share pursuant to the Final Awards of 11.9975934%) for 2003, \$376,741.91 for 2004-2012 [IX(c)(1)], and \$10,690.33 for 2004-2012 [IX(c)(2)], plus the amount of all accrued interest on those amounts, reflecting the settlement between Farmers and Kentucky with respect to Farmers' claims for the NPM Adjustment.

- (vi) If the Independent Auditor makes determinations that materially increase or decrease the value of a credit, offset, or benefit reflected in Paragraph 2(a) above, the affected SPM and Kentucky agree to discuss in good faith mechanisms to ensure that both parties receive the expected benefits under this settlement.

3. Kentucky will receive releases of its Allocable Share of the SPMs' NPM Adjustment amounts currently in the DPA in the manner provided in Paragraph 3 of the SPM Addendum to the Term Sheet with the following modifications: (i) amounts attributable to the 2003 NPM Adjustment will not be included (as they have already been released to SPMs); (ii) amounts in the DPA attributable to the 2012-2013 NPM Adjustments will be included; and (iii) Kentucky may choose to have these DPA releases spread over 2014-2018. Kentucky's Allocable Share of amounts to be paid into the DPA attributable to NPM Adjustments for 2014 and thereafter will be governed by the provisions of Section III.5 of the Stipulated Award.

4. The Transition Year adjustment for 2013 for each SPM shall be as follows:

SPM	Transition Year Credit Amount
Commonwealth Brands, Inc.	78,610.71
Monte Paz	0.00
Daughters & Ryan, Inc.	0.00
Farmers Tobacco Co.	7,302.07

House of Prince A/S	0.00
Japan Tobacco International U.S.A., Inc.	5,231.51
King Maker Marketing, Inc.	1,310.83
Kretek International	59.12
Lane Limited	1,028.26 ⁵
Liggett Group LLC	58,831.89
Lignum-2, Inc.	6,261.64
Peter Stokkebye Tobaksfabrik A/S	152.94
Premier Manufacturing, Inc.	795.20
P.T. Djarum	0.00
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	51,546.60
Sherman 1400 Broadway N.Y.C., Inc.	522.50
TABESA	876.81
Top Tobacco, L.P.	0.00
U.S. Flue-Cured Tobacco Growers, Inc.	2,412.67
Vector Tobacco Inc.	4,610.61
Von Eicken Group	9.53
Wind River Tobacco Company, LLC	68.65
Total	219,631.53

5. If the condition regarding a different method of reduction with respect to Kentucky's settlement set forth in Paragraph 7 of the letter to which this SPM Addendum is attached applies with respect to the OPMs, Kentucky will also pay to each SPM an amount equal to the lesser of (A) 50% of the additional reduction in the 2004 NPM Adjustment (plus 50% of the additional reduction of interest and earnings) produced by application of such different method of reduction with respect to Kentucky's settlement; or (B) the amount set forth below:

SPM	Potential Amount Owed to SPM
Commonwealth Brands, Inc.	1,135,973.46
Monte Paz	409.04
Daughters & Ryan, Inc.	735.38
Farmers Tobacco Co.	143,980.31
House of Prince A/S	170,170.11
Japan Tobacco International U.S.A., Inc.	33,468.70
King Maker Marketing, Inc.	48,824.24
Kretek International	4,451.24
Lane Limited	0.00

⁵ Lane is also entitled to \$1,613.81 in Transition Year Credit as included in the OPM Transition Year credit total in Paragraph 4 of the letter to which this SPM Addendum is attached.

Liggett Group LLC	352,965.68
Lignum-2, Inc.	0.00
Peter Stokkebye Tobaksfabrik A/S	12,827.68
Premier Manufacturing, Inc.	0.00
P.T. Djarum	16,486.16
Reemtsma Cigarettenfabriken GmbH	0.00
Santa Fe Natural Tobacco Company, Inc.	68,302.46
Sherman 1400 Broadway N.Y.C., Inc.	5,290.09
TABESA	0.00
Top Tobacco, L.P.	49,830.78
U.S. Flue-Cured Tobacco Growers, Inc.	0.00
Vector Tobacco Inc.	0.00
Von Eicken Group	634.26
Wind River Tobacco Company, LLC	0.00
Total	2,044,349.58

That amount would be paid as an offset against each SPM's annual MSA payment under Section IX(c) of the MSA in 10 equal annual installments beginning with the first such payment following application of the different method of reduction, with the 9 installments to include interest on the remaining amount at the Prime Rate calculated from the date of such first payment and to continue until fully paid, except that any SPM that is entitled to \$300,000 or less shall be entitled to the full amount as an offset against each SPMs' annual NPM payment in the next year. The provisions for carry forwards and transfer of SPM credits in Appendix A and the SPM Addendum (along with Exhibit A thereto) to the Term Sheet and the SPM Appendix to the Stipulated Award shall apply.