



COMMONWEALTH OF KENTUCKY
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TO: ALL NON-PARTICIPATING TOBACCO PRODUCT MANUFACTURERS

FROM: MICHAEL PLUMLEY, ASSISTANT ATTORNEY GENERAL

DATE: JUNE 8, 2006

RE: VOLUNTARY ASSIGNMENT OF ESCROW DEPOSITS

On April 11, 2006, HB 380 passed by the Kentucky Legislature. On April 24, it was signed into law with some items vetoed by the Governor. Part of HB 380, the Budget Act, included a provision which could affect your business.

Attached hereto, is a copy of the section added to the escrow statute at KRS 131.602(4-6). What this provision allows for is giving non-participating manufacturers the option of making an irrevocable assignment of its interest in any escrow funds which are placed into an account for the benefit of Kentucky based on sales of cigarettes here. The provision allows for amendment of the escrow agreement to permit such assignment of rights and withdrawal of funds under a written assignment.

Any escrow funds which are assigned to the Commonwealth give a dollar for dollar credit against any judgment or settlement which this Commonwealth obtains against the non participating manufacturer on any released claim.

Should you have questions about this provision, please contact me at any time at the address below. It is advisable that you seek legal counsel on the tax and other consequences of the assignment prior to agreeing to do so.

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