AGREEMENT FOR ALTERNATIVE DISPUTE RESOLUTION

AGREEMENT, made the 30th day of January, 2004 between the State of Michigan ("Michigan") acting through its Department of Attorney General, and Cia. Colombiana de Tabaco ("the Company"):

1. The Company is a manufacturer of tobacco products (cigarettes) for sale in the United States. Cigarettes manufactured by the Company were sold in Michigan in calendar years 2001 and 2002, giving rise to the obligation to make payments into a qualified escrow account as required by 1999 PA 244, § 2(1)(b); MCL 445.2052(1)(b) ("Act 244").

2. The Michigan Department of Treasury has determined that the amounts required to be deposited into escrow are $11,368.16 for calendar year 2001 sales (due not later than April 15, 2002) and $54,947.38 for calendar year 2002 sales (due not later than April 15, 2003). The Company acknowledges this obligation and does not contest the amounts.

3. The escrow deposits were not made in timely fashion.

4. A complaint to initiate civil proceedings in the Ingham County (Michigan) Circuit Court against the company has been prepared and a copy is attached. The complaint seeks declaratory and injunctive relief and imposition of civil penalties in the amount of 300% of the escrow obligations, as provided for in Act 244, § 2(3)(b). Michigan deferred filing and service of the complaint pending discussions with counsel for the company.

5. As the result of prelitigation discussions, the Company made the escrow deposits on November 5, 2003, rendering moot the requests for declaratory and injunctive relief and leaving only the issue of civil penalties unresolved.

6. The parties wish to resolve the remaining penalty issue without the expense and inconvenience of litigation and in a manner that is consonant with resolution of similar disputes in other jurisdictions.

7. If the Company complies with the terms of this agreement, Michigan will forego any claim for civil penalties in excess of the amounts provided for below.

8. The Company waives its right to have civil penalties judicially determined and consents to imposition of civil penalties against it in the amount of $66,315.54, payable as provided in paragraph 9.

9. $13,263.00 shall be paid to the State of Michigan within thirty days after the date of this agreement. If that initial payment obligation is met, the balance shall be paid in installments of $26,526.27, each, on April 30, 2004 and April 30, 2005. The April 30, 2004 installment shall be deferred to April 30, 2005 if not later than April 15, 2004 the Company has made full escrow deposits for its sales, if any, in the states (all except Florida, Texas, Mississippi and Minnesota) and other units (District of Columbia; Commonwealth of Puerto Rico; American Samoa; the U.S. Virgin Islands; Guam; and the Northern Mariana Islands) in which legislation that is comparable to act 244 is in force ["the settling jurisdictions"], in calendar year 2003, for which the Company has knowledge of or has in its possession, sufficient information establishing such sales at least 30 days prior to April 15, 2004 (the "2003 Sales"). The 2003 Sales shall be evidenced by documentation from the Company's escrow agent (a form of summary of sub-accounts from the escrow agent is attached hereto) showing the amount of the deposit, if any, which corresponds to the number of sticks reported for each state. The receipt of such documentation by Michigan shall be sufficient to establish for purposes of this Agreement the Company's compliance in the settling jurisdictions. Both

installments will be deemed paid if not later than April 15, 2005 the Company has made full escrow deposits for its sales, if any, in the settling jurisdictions in calendar year 2004, for which the Company has knowledge of or has in its possession, sufficient information establishing such sales at least 30 days prior to April 15, 2004 (the "2004 Sales"). The 2004 Sales shall be evidenced by documentation from the Company's escrow agent (a form of summary of sub-accounts from the escrow agent is attached hereto) showing the amount of the deposit, if any, which corresponds to the number of sticks reported for each state. The receipt of such documentation by Michigan shall be sufficient to establish for purposes of this Agreement the Company's compliance in the settling jurisdictions.

Both installments will also be deemed paid if, prior to an installment becoming due, the Company joins the tobacco Master Settlement Agreement as a Subsequently Participating Manufacturer.

10. Payments shall be by cashier's check payable to the State of Michigan and delivered to the following address:

Department of Attorney General
Consumer Protection Division
Williams State Office Building, Sixth Floor
525 W. Ottawa Street
Lansing, MI, 48909

11. If it becomes necessary for Michigan to file suit to reduce these obligations to judgment or to otherwise enforce this agreement, the Company appoints the Michigan Secretary of State as its agent for service of process. The Company agrees that for purposes of computation of statutory judgment interest any judgment shall be entered *nunc pro tunc* to October 15, 2003.

12. If any section, paragraph, sentence, or phrase is determined to be unenforceable or void, or if for any reason is declared to be invalid or of no effect, the remainder of this agreement shall not be affected thereby and shall remain in full force and effect.

Cia. Colombiana de Tabaco

Cia Colombiana de Tabaco S.A.

By: _____

VICEPRESIDENTE ADMINISTRATIVO

Ramiro Vélez Vélez

Title: Financial and Planning Vice-president

Approved as to form and substance
on behalf of Cia. Colombiana de Tabaco:

_____

Sean Clancy
Patton Boggs LLP
2550 M St NW
Washington D.C. 20037-1350
Counsel for Cia. Colombiana de Tabaco

Approved as to form and substance
on behalf of the State of Michigan:

_____

Charles D. Hackney (P14503)
Assistant Attorney General
Consumer Protection Division
Williams State Office Building, Sixth Floor
525 W. Ottawa Street
Lansing, MI 48909

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

MICHAEL A. COX,
ATTORNEY GENERAL
STATE OF MICHIGAN

No. 03-_____CZ

Plaintiff,

HON.

v

CIA COLOMBIANA DE TABACO,

Defendant,

Stewart H. Freeman (P13692)
Charles D. Hackney, (P14503)
Assistant Attorneys General
Attorney for Plaintiff
Consumer Protection Division
PO Box 30213
Lansing, MI 48909
(517) 335-0855

There is no other pending or resolved civil action arising out of the transaction or occurrence alleged in the Complaint.

COMPLAINT

Dated: October , 2003

The State of Michigan, by and through its Attorney General, MICHAEL A. COX, alleges:

GENERAL ALLEGATIONS

1. Plaintiff, MICHAEL A. COX, is the duly elected Attorney General of the State of Michigan and in such capacity is authorized to bring this civil action to enforce compliance with 1999 PA 244, MCL 445.2051, 445.2052 ("ACT 244") [Act 244, § 2(3)]. The Attorney General has statutory and common-law authority to act on behalf of the people of the State of Michigan in any cause or matter, MCL 14.101. The Attorney General brings this action in the case of and for the people of the State of Michigan because in his judgment the interests of the state require the Attorney General to do so.

2. Defendant, Cia Columbiana de Tabaco, has its principal place of business at Medellin, Columbia and is a foreign corporation doing business in the State of Michigan that has failed to appoint and maintain a resident agent and has never filed a certificate of its authority to do business as a foreign corporation.

3. This court has jurisdiction over Defendant because, as Plaintiff is informed and believes, Defendant, either directly or through a distributor, retailer or similar intermediary, knowingly contracted to sell, sold, and profited from the sale of cigarettes to consumers within the State of Michigan, and thus availed itself of the privilege and benefits of conducting business in this state.

4. Venue in the Circuit Court for Ingham County is proper, MCL 14.102.

5. Defendant is a "tobacco product manufacturer" as that term is defined in Act 244, § 1(*l*).

6. Defendant has never become a "participating manufacturer" in the "Master Settlement Agreement" ("MSA"), as those terms are respectively defined in Act 244, §§ 1(h) and 1(f).

7. Consequently, Defendant is obligated to make payments into a "qualified escrow fund" (defined in Act 244, § 1(*i*)) an amount determined by Act 244, §§ 2(1)(b) and 1(n).

8. Escrow fund payments based on sales for a particular calendar year must be deposited not later than April 15 of the next calendar year.

9. Defendant has never certified to the Michigan Department of Treasury ("Department"), the entity charged with administration of Act 244, that it has complied with Act 244's escrow deposit requirements for payments due April 15, 2002, and April 15, 2003, as required by Act 244, § 2(3).

10. Plaintiff is informed and believes, and therefore alleges as fact, that Defendant never has made the escrow deposits resulting from Michigan sales of its products in calendar years 2001 and 2002.

COUNT I
(2001 sales escrow default)

11. Plaintiff incorporates the allegations of paragraphs one through ten into this count, and realleges them.

12. Sales in Michigan during calendar year 2001 of cigarettes manufactured by Defendant, as evidenced by documentation accompanying state excise tax returns filed by wholesalers and distributors, were such that $11,368.16 was to be paid into escrow not later than April 15, 2002.

13. The Department has furnished Defendant with ample notice of its obligations under Act 244 for 2001 sales (see attached Exhibit(s) A and B and E). Defendant's failure to deposit funds into escrow was knowing, rather than inadvertent.

Wherefore, Plaintiff prays this court to:

A. Grant declaratory relief determining that Defendant is in default of its obligations under Act 244, which default may be cured only by Defendant's filing with the Department and the court a certificate that it has deposited into a "qualified escrow fund", as that term is defined in Act 244, § 1(*i*), funds in the amount of $11,368.16, accompanied by documentation from the escrow agent verifying the factual accuracy of the certification;

B. Grant injunctive relief during the period of default prohibiting Defendant from manufacturing cigarettes anywhere that Defendant intends to be sold in the United States, including cigarettes intended to be sold in the United States through an importer (except where such importer is an original participating manufacturer that will be responsible for the payments under the Master Settlement Agreement with respect to such cigarettes as a result of the provisions of subsection II(mm) of the Master Settlement Agreement and that pays the taxes specified in subsection II(z) of the Master Settlement Agreement, and provided that the manufacturer of such cigarettes does not market or advertise such cigarettes in the United States).

C. Impose a civil penalty in the amount of $34,104.48 for knowing violation of Act 244, as authorized by Act 244, § 2(3)(b).

D. Award Plaintiff a reasonable attorneys fee.

E. Impose costs upon Defendant.

F. Grant such other and further relief, as justice and equity require.

COUNT II
(2002 sales escrow default)

14. Plaintiff incorporates the allegations of paragraphs one through ten into this count, and realleges them.

15. Sales in Michigan during calendar year 2002 of cigarettes manufactured by Defendant, as evidenced by documentation accompanying state excise tax returns filed by wholesalers and distributors, were such that $54,947.38 was to be paid into escrow not later than April 15, 2003.

16. The Department has furnished Defendant with ample notice of its obligations under Act 244 for 2002 sales (see attached Exhibit(s) C and D and E). Defendant's failure to deposit funds into escrow was knowing, rather than inadvertent.

Wherefore, Plaintiff prays this court to:

A. Grant declaratory relief determining that Defendant is in default of its obligations under Act 244, which default may be cured only by Defendant's filing with the Department and the court a certificate that it has deposited into a "qualified escrow fund", as that term is defined in Act 244, § 1(*i*), funds in the amount of $54,947.38 and additional funds representing the interest that those funds would have earned had they been timely deposited, accompanied by documentation from the escrow agent verifying the factual accuracy of the certification;

B. Grant injunctive relief during the period of default prohibiting Defendant from manufacturing cigarettes anywhere that Defendant intends to be sold in the United States, including cigarettes intended to be sold in the United States through an importer (except where such importer is an original participating manufacturer that will be responsible for

the payments under the Master Settlement Agreement with respect to such cigarettes as a result of the provisions of subsection II(mm) of the Master Settlement Agreement and that pays the taxes specified in subsection II(z) of the Master Settlement Agreement, and provided that the manufacturer of such cigarettes does not market or advertise such cigarettes in the United States).

C. Impose a civil penalty in the amount of $164,842.14 for knowing violation of Act 244, as authorized by Act 244, § 2(3)(b).

D. Award Plaintiff a reasonable attorneys fee.

E. Impose costs upon Defendant.

F. Grant such other and further relief, as justice and equity require.

COUNT III
(Two-year preclusion for two knowing violations)

17. Plaintiff incorporates the allegations of paragraphs one through 16 into this count, and realleges them.

18. Defendant's two knowing violations of Act 244 subject Defendant to prohibition from selling (directly or through a distributor, retailer or similar intermediary) cigarettes in Michigan for a period of up to two years, as provided in Act 244, § 2(3)(c).

Wherefore, Plaintiff prays this court to:

A. Notwithstanding the expiration of injunctive relief granted pursuant to either or both of the preceding counts, grant permanent injunctive relief for a period of two years (or for a lesser period, in the court's discretion) prohibiting Defendant from selling (directly or through a distributor, retailer or similar intermediary) cigarettes in Michigan.

B. Award Plaintiff a reasonable attorneys fee.

C. Impose costs upon Defendant.

D. Grant such other and further relief, as justice and equity require.

Respectfully submitted,

Michael A. Cox
Attorney General

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Charles D. Hackney (P14503)
Assistant Attorney General
Consumer Protection Division
P.O. Box 30213
Lansing, MI 48909
Phone: (517) 373-7117; Fax: 335-1935

Dated: October ____, 2003