

## ASSURANCE OF VOLUNTARY COMPLIANCE

This Agreement is entered into effective March 1, 2010 by Santa Fe Natural Tobacco Company, Inc. (SFNTC) and the Signatory States through their respective Attorneys General.

WHEREAS, SFNTC advertises some of its Natural American Spirit brand cigarettes and roll your own (RYO) tobacco as containing “organic” and/or “100% organic” tobacco; and

WHEREAS, the Attorneys General allege that consumers may be misled by this advertising and believe that “organic” or “100% organic” is safer or less harmful than other tobacco; and

WHEREAS, SFNTC does not have competent, reliable, scientific evidence that organic tobacco is safer or less harmful than other tobacco; and

WHEREAS, the Attorneys General believe that the advertisements are deceptive and misleading in violation of the Master Settlement Agreement and Consent Decree as well as various state consumer protection laws; and

WHEREAS, SFNTC believes that the advertisements are true and not misleading because SFNTC uses exclusively tobacco that is certified under the National Organic Program of the United States Department of Agriculture to manufacture its Natural American Spirit brand cigarettes made with organic tobacco and organic roll your own tobacco, and thus are not deceptive; and

WHEREAS, the parties have determined that it is the interest of all parties to enter into this Agreement rather than proceed to litigation; and

WHEREAS, the parties wish to completely settle, release and discharge all claims under the MSA and the Consent Decree, as well as state consumer protection statutes that relate to the legality of advertising cigarettes or RYO tobacco as containing “organic” or “100% organic” tobacco; and

WHEREAS, this Agreement constitutes a good faith settlement of the dispute and disagreement between the parties relating to the advertising of “organic tobacco”;

NOW, THEREFORE, in consideration of their mutual agreement to the terms of this Agreement, and other such consideration described herein, the sufficiency of which is hereby acknowledged, the parties, acting by and through their attorneys, stipulate and agree as follows:

#### A. DEFINITIONS

For purposes of this Agreement, the following definitions shall apply:

1. “Advertisement” shall mean any written or oral statement, illustration, or depiction that is designed to effect a sale or create interest in the purchasing of any product, including but not limited to a statement, illustration or depiction in or on a brochure, newspaper, magazine, freestanding insert, pamphlet, leaflet, circular, mailer, book insert, letter, coupon, catalog, poster, chart, billboard, transit advertisement, point of purchase display, specialty or utilitarian item, sponsorship material, package insert, film, slide, or on the Internet or other computer network or system.

2. “Tobacco product” shall mean cigarettes, cigars, cigarillos, little cigars, smokeless tobacco, cigarette tobacco, roll your own tobacco, pipe tobacco, and any other product made or

derived from tobacco that is intended for human consumption, including any component, part, or accessory of a tobacco product.

3. “Clearly and prominently” shall mean:

a. In black type on a solid white background, or in white type on a solid red background, or in any other color combination that would provide an equivalent or greater degree of print contrast that is objectively determined by densitometer or comparable measurements of the type and the background color. The color of the ruled rectangle shall be the same color as that of the type; and

b. Centered, both horizontally and vertically in a ruled rectangle. The area enclosed by the rectangle shall be no less than 40% of the size of the area enclosed by the ruled rectangle surrounding the health warnings for tobacco cigarettes mandated by 15 U.S.C. §1333. The width of the rule forming the rectangle shall be no less than 50% of the width of the rule required for the health warnings for tobacco cigarettes mandated by 15 U.S.C. §1333; and

c. In the same type style and type size as that required for health warnings for tobacco cigarettes pursuant to 15 U.S.C. §1333; and

d. In a clear and prominent location, but not immediately next to other written or textual matter for any rectangular designs, elements, or similar geometric forms, including but not limited to any warning statement required under the Federal Cigarette Labeling and Advertising Act, 15 U.S.C. §1331 *et seq.*, or the Comprehensive Smokeless Tobacco Health Education Act, 15 U.S.C. § 4401 *et seq.* In addition, the disclosure shall not be positioned in the margin of a print advertisement. A disclosure shall be deemed “not immediately next to” other

geometric or textual matter if the distance between the disclosure and the other matter is as great as the distance between the outside left edge of the rule of the rectangle enclosing a health warning required by 15 U.S.C. §1333 and a top left point of the letter “S” in the word “SURGEON” in that health warning; and

e. For a multi-paged Advertisement or an Advertisement that contains both a front and back side, either on the first or front page of the Advertisement, or on the same page or side of the Advertisement that displays the health warning required by 15 U.S.C. §1333; and

f. For audiovisual or audio Advertisements, including but not limited to Advertisements on videotapes, cassettes, discs or the Internet; professional films or film strips; and professional audio tapes or other types of sound recordings, the disclosure shall appear on the screen at the end of the Advertisement in the format described above for a length of time and in such a manner that is easily legible and shall be announced simultaneously at the end of the Advertisement in a manner that is clearly audible.

PROVIDED however, that in any Advertisement that does not contain a visual component, the disclosure need not appear in visual form and, and in any Advertisement that does not contain an audio component, the disclosure need not be announced in audio format.

PROVIDED also, however, that these provisions apply consistent with the new amendments and modifications to 15 U.S. C. §1333, enacted in the Family Smoking Prevention and Tobacco Control Act, and shall continue to apply in the future if 15 U.S.C. §1333 is amended, modified or superseded by any other law. Notwithstanding anything else in this Agreement, any disclosure required by this Agreement shall be considered to have been made

“clearly and prominently” if it conforms to the requirements as to size, appearance and placement of disclosures in advertisements for tobacco cigarettes set out in the Decision and Order of the Federal Trade Commission issued June 12, 2000, in *In re Santa Fe Natural Tobacco Company, Inc.*, FTC Docket No. C-3952, as such requirements may be amended in the future in connection with the Family Smoking Prevention and Tobacco Control Act or otherwise.

4. “Effective Date” shall mean March 1, 2010.

5. “Signatory States” shall mean all of those states that have signed this Agreement by an authorized representative of the state’s Attorney General by no later than the Effective Date.

#### B. TERMS

1. Beginning no later than thirty (30) days after the Effective Date of this Agreement, SFNTC will cause any and all Advertisements thereafter placed for display or distribution in any Settling State to conform to the requirements of this Agreement. “Placed for display or distribution,” as used in the previous sentence, occurs (a) for electronic Advertisements on any date that such Advertisements are displayed to the public, and (b) for all other Advertisements, on the date that mechanical artwork for the Advertisement is sent by SFNTC or its agent to the printer.

2. In addition to any other statements, disclaimers, warnings required by law, SFNTC shall directly or through any corporation, subsidiary, division or other device and, in connection with the advertising, promotion, offering for sale, sale, or distribution of Natural American Spirit tobacco products, display in Advertisements as specified below, Clearly and Prominently, the following disclosures (including the line breaks, punctuation, bold font and capitalization

illustrated, but not including quote marks). In Advertisements for cigarettes made with organic tobacco:

“Organic tobacco does **NOT** mean a safer cigarette”

In Advertisements for organic roll your own or pouch tobacco:

“Organic tobacco does **NOT** mean safer tobacco”

These disclosures shall be displayed in any Advertisement that, through the use of such terms or phrases as “organic” or “100% organic” or “organic tobacco” or “100% organic tobacco” or other phrase containing the term “organic” represents that any SFNTC product is organic or contains organic tobacco.

3. The above disclosures shall not be required in any cigarette advertisement that is not required to bear a health warning pursuant to 15 U.S.C. §1333.

4. Nothing contrary to, inconsistent with, or in mitigation of any disclosure provided for in this part shall be used in any Advertisement. This provision shall not prohibit SFNTC from truthfully representing through the use of such phrases as “organic” or “100% organic” or other phrase containing the term “organic” that a tobacco product is organic or contains organic tobacco, where such representation is truthful, and is accompanied by the disclosure mandated by this Agreement.

5. No more than forty five (45) days after the Effective Date of this Agreement, SFNTC shall provide a copy of the notice attached hereto as Exhibit A by first-class mail, or other faster delivery method, to each retailer, distributor or other purchaser for resale to whom SFNTC has

supplied organic Natural American Spirit Cigarettes or organic roll your own tobacco since July 1, 2007.

6. SFNTC shall discontinue dealing with any retailer, distributor, or other purchaser for resale once SFNTC has actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such retailer, distributor, or other purchaser for resale has continued to use or disseminate any of SFNTC's Advertisements for any tobacco products that have been discontinued per this Agreement, unless, upon notification by SFNTC, such retailer, distributor, or other purchaser for resale immediately ceases using or disseminating such Advertisements. If, after such notification, SFNTC obtains actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such retailer, distributor, or other purchaser for resale has not permanently ceased using or disseminating such Advertisements, SFNTC must immediately and indefinitely discontinue dealing with such retailer, distributor, or other purchaser for resale, until such time as SFNTC has obtained written assurance and verified that such retailer, distributor, or other purchaser for resale has permanently ceased using or disseminating such Advertisements.

7. SFNTC shall maintain for a period of five years from the Effective Date, and upon request make available to the Signatory States, copies of all notification letters sent to retailers, distributors, or other purchasers for resale pursuant to this Agreement, as well as copies of all communications with retailers, distributors, or other purchasers for resale pursuant to paragraph 6 above.

8. SFNTC shall maintain for a period of five years from the Effective Date, and upon request make copies available to the Signatory States, for all representations covered by this Agreement:

- a. All Advertisements and packaging containing the representation;
- b. All materials that were relied upon in disseminating the representation; and
- c. All tests, reports, studies, surveys, demonstrations, or other evidence that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

9. Within 60 days after the Effective Date of this Agreement, SFNTC shall prepare and submit a report to the Signatory States which details compliance with this Agreement and includes copies of relevant advertisements and notices.

10. It is acknowledged that SFNTC enters into this Agreement for settlement purposes only. This Agreement does not constitute an admission by SFNTC that the law has been violated as alleged by the Signatory States, or that the facts alleged by the Signatory States, other than jurisdictional facts, are true.



EXHIBIT A

Dear [retailer, distributor, or other purchaser for resale]

This letter is to inform you that Santa Fe Natural Tobacco Co. Inc. (SFNTC) recently reached a settlement agreement with various state Attorneys General concerning advertising for Natural American Spirit cigarettes made with organic tobacco and organic roll your own tobacco (RYO). The States were concerned that the advertising for our products containing organic tobacco might lead consumers to believe that these products are safer than products without organic tobacco. While we believe our advertising is and has been truthful and not misleading, we have agreed to make certain changes to our advertising.

As per the Agreement with the States, we will add disclaimers to cigarette advertising containing the organic or 100% organic claims, indicating:

“Organic tobacco does **NOT** mean a safer cigarette”;

and we will add disclaimers to roll your own tobacco advertising containing the organic or 100% organic claims, indicating:

“Organic tobacco does **NOT** mean safer tobacco.”

If you carry Natural American Spirit products made with organic tobacco, in the near future you will be receiving new advertising and promotional materials for those products that display the above disclaimers. When you receive these new materials, please discard the earlier materials that they replace and begin using the new materials exclusively.

If you have any questions, please call us at (866) 232-5660 (Distributors) or (800) 982-7454 (Retailers). We apologize for any inconvenience this may cause you and thank you for your assistance and cooperation.

Sincerely yours,

President  
Santa Fe Natural Tobacco Company Inc.

Dated: February 2, 2010

Santa Fe Natural Tobacco Company, Inc.

By: 

Name: Susanne Roubidoux Farr

Title: General Counsel

STATE OF CALIFORNIA

ATTORNEY GENERAL EDMUND G. BROWN JR.

By: 

Jeanne Finberg

Deputy Attorney General

Date: February 23, 2010

STATE OF ARIZONA  
Attorney General Terry Goddard  
By: Nicole J. [Signature]  
Date: February 12, 2010

OFFICE OF THE ARKANSAS ATTORNEY GENERAL

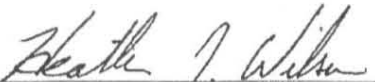
Dustin McDaniel  
ATTORNEY GENERAL

By: [Signature]  
Eric B. Estes, Ark. Bar No. 98210  
Senior Assistant Attorney General  
323 Center Street, Suite 200  
Little Rock, Arkansas 72201  
Telephone: (501) 682-8090  
Email: Eric.Estes@ArkansasAG.gov

STATE OF COLORADO  
Attorney General John W. Suthers  
By: Ben J. Jaylin  
Date: February 23, 2010

STATE OF CONNECTICUT

Richard Blumenthal  
Attorney General


By:   
Heather J. Wilson  
Assistant Attorney General

Date: February 26, 2010

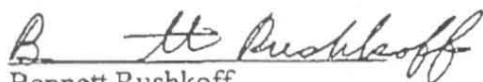
STATE OF DELAWARE

Attorney General Joseph R. Biden, III

By: Thomas E. Brown, Deputy Attorney General

  
Date: February 22, 2010

DISTRICT OF COLUMBIA  
Attorney General Peter J. Nickles

By:   
Bennett Rushkoff  
Chief, Public Advocacy Section  
Office of the Attorney General  
for the District of Columbia

Date: February 23, 2010

STATE OF Georgia

Attorney General Thurbert E. Baker

By: Roxi Anne's Loh, Assistant Attorney General

Date: 2/19, 2010

STATE OF Hawaii

Attorney General Mark J. Bennett

By: [Signature]

Date: Jan. 18, 2010

STATE OF Idaho

Attorney General Lawrence Warden

By: Rust De Ly

Date: 2/18, 2010

STATE OF Illinois

Attorney General Lisa Madigan

By: Katherine Johnson, AAG

Date: Feb. 22, 2010

STATE OF Iowa

Attorney General of Iowa

By: Matthew L. Gannon  
Matthew L. Gannon, Assistant Attorney General

Date: February 23, 2010

STATE OF KANSAS

Attorney General STEVE SIX

By: Ernie Frack

Date: February 18, 2010

STATE OF Kentucky

Attorney General Jack Conway

By: Michael Plumley, Asst. Atty. Gen.

Date: February 22, 2010

THE STATE OF LOUISIANA

JAMES D. "BUDDY" CALDWELL  
ATTORNEY GENERAL

By: Sanetria Glasper Pleasant

Sanetria Glasper Pleasant, La. Bar #25396

Director, Public Protection Division

Louisiana Department of Justice

Office of the Attorney General

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Telephone: (225) 326-6423

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STATE OF Maine

Attorney General Janet T. Mills

By: Janet T. Mills

Date: February 22, 2010

In re Santa Fe Natural Tobacco Company  
Assurance of Voluntary Compliance


STATE OF MARYLAND  
Attorney General Douglas F. Gansler

By:   
Marlene Trestman  
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Date: February 23, 2010


ASSURANCE OF VOLUNTARY COMPLIANCE by  
SANTA FE NATURAL TOBACCO COMPANY, INC.

Commonwealth of Massachusetts  
Attorney General Martha Coakley  
By: Elizabeth J. Koenig, Assistant Attorney General

  
Date: February 18, 2010

STATE OF MONTANA

Attorney General Steve Bullock

By:   
Chris Tweeten  
Chief Civil Council

February 22, 2010



STATE OF NEBRASKA

Attorney General Jon Bruning

By: 

David D. Cookson, Chief Deputy

Date: February 4, 2010

STATE OF NEVADA  
CATHERINE CORTEZ MASTO  
Attorney General

By: 

DARRELL FAIRCLOTH  
Senior Deputy Attorney General

Date: February 23, 2010

STATE OF NEW JERSEY

Attorney General Paula T. Dow

By: 

Date: February 23, 2010

STATE OF New Mexico

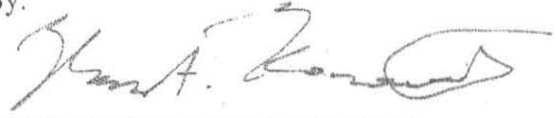
Attorney General Grady King

By: David K. Thomsen

Date: Feb 10, 2010

Dated: February 24, 2010

ANDREW M. CUOMO  
Attorney General of the State of New York  
By:



MARC A. KONOWITZ  
Assistant Attorney General

STATE OF North Carolina

Attorney General Roy Cooper

By: Melissa G. Lippie

Special Deputy Attorney General

Date: February 24, 2010

STATE OF OHIO

Attorney General RICHARD CORDRAY

By: CAROL V. MOSHOLD ER

Date: Feb. 3, 2010

STATE OF Oregon

Attorney General John Karger

By: Drew Gancopoulos

Date: Feb. 8, 2010

In the Matter of Santa Fe Natural Tobacco Company, Inc.

THOMAS W. CORBETT, JR.  
Attorney General  
State of Pennsylvania

BY: Carly J. Wismer  
**CARLY J. WISMER**  
Deputy Attorney General  
Tobacco Enforcement Section  
Attorney I.D. #92598

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**JOEL M. RESSLER**  
Chief Deputy Attorney General  
Tobacco Enforcement Section  
Attorney I.D. #28625

DATED: February 19, 2010

STATE OF TENNESSEE

Attorney General *RE Cooper J*

By: ROBERT E. COOPER, JR.

Date: February 17, 2010

Assurance of Voluntary Compliance  
Santa Fe Natural Tobacco Company, Inc.

Dated this 5<sup>th</sup> day of February, 2010.

MARTY JACKLEY  
South Dakota Attorney General

By: *Patricia Archer*

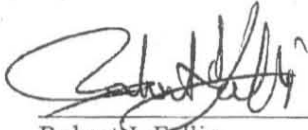
Patricia Archer  
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STATE OF VERMONT

Attorney General WILLIAM H. SORRELL

By: *[Signature]*

Date: February 10<sup>th</sup>, 2010

 2-8-10

Robert J. Fallis  
Assistant Attorney General  
State of Washington

STATE OF WEST VIRGINIA

Attorney General DARREL V. McGERAW

By: John Roberts, SR. ASST. A.G.

Date: 2/25, 2010

STATE OF WISCONSIN

ATTORNEY GENERAL J.B. VAN HOLLEN

By: Christopher J. Blythe  
Christopher J. Blythe, Asst. Atty. General

Date: February 9, 2010

re: ave w/Santa Fe Natural Tobacco Co.