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LEGAL PROCESS #2

1 BILL LOCKYER
Attorney General of the State of California
2 TOM GREENE
Chief Assistant Attorney General
3 DENNIS ECKHART
Senior Assistant Attorney General
4 WILLIAM F. SOO HOO, State Bar No. 80694
Deputy Attorney General
5 1300 I Street, Suite 125
P.O. Box 944255
6 Sacramento, CA 94244-2550

7
8 Attorneys for Plaintiff

9
10 SUPERIOR COURT OF CALIFORNIA

11 COUNTY OF SACRAMENTO

12
13 **People of the State of California, ex rel. Bill Lockyer,
Attorney General of the State of California,**

14 **Plaintiff,**

15 **v.**

16 **MIGHTY CORPORATION, a Philippines**
17 **corporation; INTERCONTINENTAL PACIFIC**
18 **MFG., a Philippines corporation; UNIVERSAL**
19 **HAMILTON MFG., a Philippines corporation;**
20 **EARTH TOBACCO, a Philippines corporation;**
21 **GLOBAL TOBACCO, INC., a Washington**
22 **corporation; TRANSBORDER, INC., a Washington**
23 **corporation; NATIONWIDE TOBACCO**
24 **COMPANY, INC., a Washington corporation;**
25 **NATIONAL TOBACCO, INC., a Washington**
26 **corporation; and DOES 1 through 100, inclusive,**

27 **Defendants.**

CASE NO. 03AS02298

NOTICE OF ENTRY OF
JUDGMENT

28 **TO: MIGHTY CORPORATION, a Philippines corporation;**
INTERCONTINENTAL PACIFIC MFG., a Philippines corporation; UNIVERSAL
HAMILTON MFG., a Philippines corporation; EARTH TOBACCO, a Philippines
corporation; GLOBAL TOBACCO, INC., a Washington corporation; TRANSBORDER,
INC., a Washington corporation; NATIONWIDE TOBACCO COMPANY, INC., a

1 **Washington corporation; NATIONAL TOBACCO, INC., a Washington corporation:**

2 PLEASE TAKE NOTICE that on September 28, 2006, Sacramento County Superior
3 Court Judge ShelleyAnne W. L. Chang issued a Judgment in the above-captioned action. A true
4 copy of the Judgment is attached hereto as Exhibit 1 and incorporated by reference herein.

5 Dated: November 9, 2006

6 Respectfully submitted,

7 BILL LOCKYER
8 Attorney General of the State of California

9 TOM GREENE
10 Chief Assistant Attorney General
11 DENNIS ECKHART
12 Senior Assistant Attorney General

13 WILLIAM F. SOO HOO
14 Deputy Attorney General
15 Attorneys for Plaintiff

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EXHIBIT 1

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H. W. [Signature]

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SACRAMENTO COURTS
DEPT. #53 #54

BILL LOCKYER
Attorney General of the State of California
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Attorneys for Plaintiff

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

CASE NO. 03AS02298

PEOPLE OF THE STATE OF CALIFORNIA,
ex rel. BILL LOCKYER, Attorney General of the
State of California,

Plaintiff,

v.

MIGHTY CORPORATION, a Philippines
corporation; INTERCONTINENTAL PACIFIC
MFG., a Philippines corporation; UNIVERSAL
HAMILTON MFG., a Philippines corporation;
GLOBAL TOBACCO, INC., a Washington
corporation; TRANSBORDER, INC., a
Washington corporation; NATIONWIDE
TOBACCO COMPANY, INC., a Washington
corporation; NATIONAL TOBACCO, INC., a
Washington corporation; and DOES 1 through
100, inclusive,

Defendants.

[PROPOSED] JUDGMENT BY
COURT AFTER DEFAULT

THIS MATTER is before the Court on *Plaintiff's Request for Entry of Default Judgment* against Defendants MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO. This Court has considered *Plaintiff's Request for Entry of Default Judgment* and accompanying declarations, papers and exhibits thereto, and the entire record in this matter and hereby finds as follows:

1 1. The Attorney General of the State of California brings this action on behalf of
2 Plaintiff, the People of the State of California, pursuant to California Health and Safety Code
3 section 104557(c), to enforce the reserve fund requirements of California Health and Safety Code
4 sections 104555-104557.

5 2. The Defendants, MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC
6 MFG., and NATIONAL TOBACCO, manufacture cigarettes intended for sale in the United
7 States and thus falls within the statutory definition of a "tobacco product manufacturer" as
8 defined in California Health and Safety Code section 104556(i). MIGHTY CORPORATION,
9 INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO have sold and continues
10 to sell cigarettes (as defined in section 104556(d)) directly or indirectly, to consumers in
11 California and, accordingly, have transacted and are transacting business within the State of
12 California.

13 3. At least thirty (30) days have passed since the date of service of the Summons and
14 Verified Complaint on MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG.,
15 and NATIONAL TOBACCO and MIGHTY CORPORATION, INTERCONTINENTAL
16 PACIFIC MFG., and NATIONAL TOBACCO have failed to appear and defend in this court.

17 4. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and
18 NATIONAL TOBACCO were not at the time of service of the Summons and Verified
19 Complaint, nor are they now, an infant or minor, a financially incapable, incapacitated or
20 incompetent person, nor in the military service as defined by Article 1 of the "Soldiers' and
21 Sailors' Civil Relief Act of 1940" as amended (50 U.S.C. Appen. § 501 et seq.).

22 5. Jurisdiction has been reviewed and is proper over MIGHTY CORPORATION,
23 INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO pursuant to California
24 Code of Civil Procedure, section 410.10.

25 6. Venue has been reviewed and is proper pursuant to California Code of Civil
26 Procedure, section 393.

27 7. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and
28 NATIONAL TOBACCO have failed and continue to fail and/or otherwise comply with the

1 reserve fund requirements of California Health and Safety Code, sections 104555-104557 and
2 implementing regulations (Title 11, Calif. Code of Reg., §§ 999.10a through 999.14).

3 8. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and
4 NATIONAL TOBACCO have engaged in and continue to engage in acts of unfair competition as
5 defined in California Business & Professions Code, section 17200, in that defendants have failed
6 to establish the required reserve fund and failed to certify compliance to the Attorney General, in
7 violation of California Health and Safety Code sections 104555, 104556, and 104557 and
8 implementing regulations.

9 9. Notwithstanding notice, MIGHTY CORPORATION, INTERCONTINENTAL
10 PACIFIC MFG., and NATIONAL TOBACCO have failed to certify to the Attorney General that
11 a Qualified Escrow Fund (as defined in California Health and Safety Code section 104556(f))
12 have been established and have failed to make their deposits for its 2000 and 2001 sales in
13 California as required under California Health and Safety Code section 104557. Accordingly,
14 MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and NATIONAL
15 TOBACCO's actions constitute one or more "knowing" violations.

16 10. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and
17 NATIONAL TOBACCO have committed one or more knowing violations of California Health
18 and Safety Code section 104557 and are therefore subject to the maximum sanctions and
19 penalties provided for under the reserve fund requirements of California Health and Safety Code
20 section 104557.

21 **THEREFORE**, defaults having been entered by the clerk against MIGHTY
22 CORPORATION, INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO, as
23 requested by Plaintiff, **JUDGMENT** is accordingly entered in favor of the Plaintiff and against
24 MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and NATIONAL
25 TOBACCO with respect to all claims, **AS FOLLOWS**:

26 A. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG.,
27 and NATIONAL TOBACCO shall, within fifteen (15) days of this Order, establish a Qualified
28 Escrow Fund and place into said fund the following amount as adjusted for inflation per

1 California Health and Safety Code section 104557(a)(2):

2 Sales during the year 2000:

3 (5,965,355 units x \$0.0104712) plus 6.48841% for inflation for a total of
4 \$66,517.29

5 Sales during the year 2001:

6 (51,953,555 units x \$0.0136125) plus 9.68306% for inflation for a total of
\$648,441.73

7 B. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG.,
8 and NATIONAL TOBACCO shall, within fifteen (15) days of this Order, provide Plaintiff with
9 a list of the names of all cigarette brands manufactured by MIGHTY CORPORATION,
10 INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO, as well as unit sales
11 information and supporting documentation for sales in California in 2000 and 2001.

12 C. MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG.,
13 and NATIONAL TOBACCO shall, within fifteen (15) days of this Order, pay civil penalties in
14 the amount of 300% of the escrow amounts improperly withheld for 2000 and 2001 sales, for a
15 total of \$2,148,736.56 for knowingly violating California Health and Safety Code section
16 104557(a)(2), (c), by failing to certify to the Attorney General for the State of California that it is
17 in compliance with California's reserve fund statute and for knowingly failing to establish a
18 qualified escrow fund as defined under California Health and Safety Code section 104556(f) and
19 knowingly failing to deposit sufficient escrow funds into a qualified escrow fund as required
20 under California Health & Safety Code section 104557.

21 D. Pursuant to California Business and Professions Code section 17203,
22 MIGHTY CORPORATION, INTERCONTINENTAL PACIFIC MFG., and NATIONAL
23 TOBACCO are hereby enjoined and otherwise prohibited from selling *any* cigarettes in
24 California, either directly or through a distributor, retailer or other intermediary, *including but not*
25 *limited to*, the following brand: "Blenz," "Sixty," "Sixty 1" and "Sixty One." The injunction
26 shall commence from the date of this Order and continue until MIGHTY CORPORATION,
27 INTERCONTINENTAL PACIFIC MFG., and NATIONAL TOBACCO establish qualified
28 escrow funds and deposit \$2,148,736.56 into said escrow fund and provides to the Attorney

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2) Name/Address/Phone-Judgment Creditor's Attorney:
William F. Soo Hoo, Deputy Attorney General
Department of Justice-Office of the Attorney General
1300 I. Street
P.O. Box 944255
Sacramento, CA 94244-2550
(916) 323-3795

3) Name/Address-Judgment Debtor:

MIGHTY CORPORATION
No. 55 Barrio Tikay
Malolos, Bulcan, Philippines 3000

INTERCONTINENTAL PACIFIC MANUFACTURING
204 I Alvarez Drive
Don Alfaro St.
Tetuan, Zamboanga City Philippines

NATIONAL TOBACCO
288 Martin Street
Blaine, WA 98230

4) Principal Amount of Judgment for Escrow: \$ 716,245.52

5) Principal Amount of Judgment for Penalties:

Health & Safety Code section 104557 \$ 2,148,736.56

Bus. & Prof. Code section 17200 \$ 10,000.00

Total Escrow and Penalties \$ 2,874,982.08

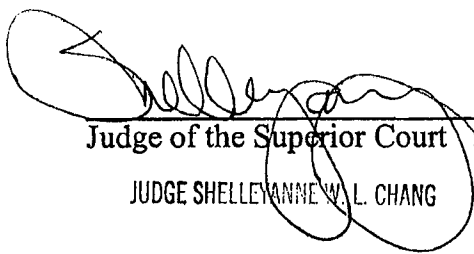
6) Costs: \$ 241.50

Grand Total \$ 2,875,223.58

7) Post-judgment simple interest at the rate of ten percent (10%) per annum
on the total judgment which consists of items 4 thru 6 from the date of judgment is entered until
fully paid. Interest is compounded annually.

IT IS SO ORDERED, ADJUDGED AND DECREED.

Dated: SEP 28 2006, 2006


Judge of the Superior Court

JUDGE SHELLEYANNE W. L. CHANG

DECLARATION OF SERVICE

(AG Mailroom)

Case Name: **PEOPLE v. MIGHTY CORPORATION, et al.**

Sacramento Superior Court No. 03AS02298

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. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service that same day in the ordinary course of business.

On November 9, 2006, I served the attached **NOTICE OF ENTRY OF JUDGMENT** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the internal mail collection system at the Office of the Attorney General at 1300 I Street, P.O. Box 944255, Sacramento, CA 94244-2550, addressed as follows:

Ernesto Victa, Finance Manger
Mighty Corporation
No. 55 Tikay, Malolos, Bulacun
Philippi9nes 3000

Ken Davidson, President
National Tobacco Company
288 Martin Street, #201
Blaine, WA 98230

Lilia Ong, Secretary/Director
Mighty Corporation
#8798 Abeja Street, Makati City, Philippines

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 November 9, 2006, at Sacramento, California.

Kim Lahn

Typed Name



Signature