

***[INDICATES PAGINATION IN ORIGINAL DOCUMENT]**

AMENDMENT NO. 14 TO THE MASTER SETTLEMENT AGREEMENT

Section XVII of the Master Settlement Agreement is hereby amended by deleting all of subsections XVII(a), XVII(b) and XVII(c), which are hereby void and of no further force and effect, and substituting in place of such subsections the following:

(a) No later than the fifth Business Day after this Amendment No. 14 to the Agreement has been executed by all of the Settling States and all of the Original Participating Manufacturers, each Original Participating Manufacturer shall severally pay its Relative Market Share of \$150,000,000 to NAAG. The payment to be made by each Original Participating Manufacturer pursuant to this subsection (a) shall be paid separately and apart from any other amounts due pursuant to this Agreement, shall be subject to no adjustments, reductions, or offsets, and shall be paid to an account (the “Costs and Fees Account”) previously established by NAAG at a federally or State chartered financial institution to be designated by the President of NAAG (with notice of such designation and account information to be provided to the Original Participating Manufacturers by NAAG no later than the second Business Day after this Amendment No. 14 to the Agreement has been executed by all of the Settling States and all of the Original Participating Manufacturers). The amounts paid pursuant to this subsection (a) shall be used by the Attorneys General of the Settling States, pursuant to procedures and guidelines established by such Attorneys General through NAAG (as such procedures and guidelines may be supplemented, interpreted and applied by a committee of three Attorneys General (the “Review Committee”) selected pursuant to such procedures), as follows:

(1) to reimburse, with respect to any Settling State in which the Court has approved this Agreement and the Consent Decree, the following “Governmental [end page 1]”*

[begin page 2]*

Entities”: (A) the office of the Attorney General of such Settling State; (B) the office of the governmental prosecuting authority for any political subdivision of such Settling State with a lawsuit pending against any Participating Manufacturer as of July 1, 1998 (as identified in Exhibit N) that has released such Settling State and such Participating Manufacturer(s) from any and all Released Claims (a “Litigating Political Subdivision”); and (C) other appropriate agencies of such Settling State and such Litigating Political Subdivision, for reasonable costs and expenses incurred in connection with the litigation or resolution of claims asserted by or against the Participating Manufacturers in the actions set forth in Exhibits D, M and N; provided that such costs and expenses are of the same nature as costs and expenses for which the Original Participating Manufacturers would reimburse their own counsel or agents (but not including costs and expenses relating to lobbying activities);

(2) to pay the Governmental Entities in any Settling State in which State-Specific Finality has occurred an amount sufficient to compensate such Governmental Entities for time reasonably expended by attorneys and paralegals employed in such offices in connection with the litigation or resolution of claims asserted against or by the Participating Manufacturers in the actions identified in Exhibits D, M and N (but not including time relating to lobbying activities), such amount to be calculated based upon hourly rates equal to the market rate in such Settling State for private attorneys and paralegals of equivalent experience and seniority; and

(3) as otherwise directed by the Attorneys General of the Settling States, acting

through NAAG (but not including the reimbursement or payment of costs, expenses or time relating to lobbying activities). [end page 2]*

2

[begin page 3]*

(b) Each Original Participating Manufacturer shall, in addition to the payment it makes pursuant to subsection (a), severally pay its Relative Market Share of:

(1) the reasonable fees and reasonable costs and expenses incurred by any consultant or accounting firm retained by the Review Committee, acting through NAAG, in connection with the review, reimbursement and/or payment of costs, expenses and attorney and paralegal time for which the Governmental Entities seek reimbursement or payment pursuant to subsection (a)(1) or (a)(2); and

(2) the reasonable costs and expenses incurred by the three members of the Review Committee in connection with the review, reimbursement and/or payment of costs, expenses and attorney and paralegal time for which the Governmental Entities seek reimbursement or payment pursuant to subsection (a)(1) or (a)(2).

Provided, however, that all amounts to be paid pursuant to this subsection (b) shall be subject to an aggregate cap of \$300,000, and shall be paid promptly following submission by the Review Committee to the Original Participating Manufacturers of a statement setting forth the costs, expenses and fees for which payment is sought (but in no event shall such statements be submitted more frequently than once per month).

(c) (1) Effective immediately upon deposit in the Costs and Fees Account of the \$150,000,000 referred to in subsection (a), each Settling State (on behalf of itself and all

Releasing Parties and all Governmental Entities in such Settling State, including, without limitation, any Litigating Political Subdivisions in such Settling State) absolutely and unconditionally releases and forever discharges the Original Participating Manufacturers and all other Released Parties from the following “Cost and Fee Claims”: any and all claims, demands, actions, suits, causes of action, damages (whenever incurred), liabilities of any nature including [end page 3]*

3

[begin page 4]* civil penalties and punitive damages, as well as costs, expenses and attorneys’ fees, known or unknown, suspected or unsuspected, accrued or unaccrued, whether legal, equitable or statutory, that such Settling State, Releasing Parties and Governmental Entities directly, indirectly, derivatively or in any other capacity ever had (including, without limitation, pursuant to subsections XVII(a), (b) or (c) of this Agreement prior to this Amendment No. 14), now have, or hereafter can, shall or may have with respect to or arising out of costs and expenses incurred by any such Settling State, Releasing Party or Governmental Entity, or time expended by attorneys and paralegals employed in the offices of any such Settling State, Releasing Party or Governmental Entity, in connection with the litigation or resolution of claims asserted (or that could have been asserted) by or against the Participating Manufacturers in the actions identified in Exhibits D, M and N. Each Settling State (on behalf of itself and all Releasing Parties and all Governmental Entities in such Settling State, including, without limitation, any Litigating Political Subdivisions in such Settling State) further covenants and agrees that after the deposit in the Costs and Fees Account of the \$150,000,000 referred to in subsection (a) neither it nor any such Releasing Party or Governmental Entity shall sue or otherwise seek to recover from any

Original Participating Manufacturer or any other Released Party based, in whole or in part, upon any Cost and Fee Claim, and further agrees that such covenant and agreement shall be a complete defense to any such action, claim or proceeding.

(2) Notwithstanding any provision of law, statutory or otherwise, which provides that a general release does not extend to claims which the creditor does not know or suspect to exist in its favor at the time of executing the release, which if known by it must have materially affected its settlement with the debtor, the release set forth in this section XVII(c) releases all Cost and Fee Claims against the Original Participating Manufacturers and all other Released [end page 4]*

4

[begin page 5]* Parties, whether known or unknown, foreseen or unforeseen, suspected or unsuspected, that the Settling States, Releasing Parties and Governmental Entities (including, without limitation, Litigating Political Subdivisions) may have against the Original Participating Manufacturers or any other Released Parties, and the Settling States (on behalf of themselves and the Releasing Parties and Governmental Entities) understand and acknowledge the significance and consequences of waiver of any such provision and hereby assume full responsibility for any injuries, damages or losses that the Settling States, Releasing Parties or Governmental Entities may incur with respect to or arising out of Cost and Fee Claims. [end page 5]*

[begin page 6]*

PHILIP MORRIS INCORPORATED

By: /s/ Martin J. Barrington
General Counsel

Date: June 3, 1999

R.J. REYNOLDS TOBACCO COMPANY

By: /s/ Charles A. Blixt
Executive Vice President and General Counsel

Date: 4-27-99

BROWN & WILLIAMSON TOBACCO CORPORATION

By: /s/ F. Anthony Burke
Vice President and General Counsel

Date: 4/27/99

LORILLARD TOBACCO COMPANY

By: /s/ Ronald S. Milstein
General Counsel

Date: 4/28/99

[end page 6]*

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/s/ Bill Pryor
Attorney General of Alabama

/s/ Bruce M. Botelho
Attorney General of Alaska

/s/ Toetagata Albet Mailo
Attorney General of American Samoa

/s/ Janet Napolitano
Attorney General of Arizona

/s/ Mark Pryor
Attorney General of Arkansas

/s/ William Lockyer
Attorney General of California

/s/ Ken Salazar
Attorney General of Colorado

/s/ Richard Blumenthal
Attorney General of Connecticut

/s/ M. Jane Brady
Attorney General of Delaware

/s/ Jo Anne Robinson
Interim Corporation Counsel of D.C.

/s/ Thurbert E. Baker
Attorney General of Georgia

/s/ John Tarantino
Attorney General of Guam

[end page 7]*

[begin page 8]*

/s/ Margery S. Bronster
Attorney General of Hawaii

/s/ Alan G. Lance
Attorney General of Idaho

/s/ Jim Ryan
Attorney General of Illinois

/s/ Jeffrey A. Modisett
Attorney General of Indiana

/s/ Tom Miller
Attorney General of Iowa

/s/ Carla J. Stovall
Attorney General of Kansas

/s/ A. B. "Ben" Chandler III
Attorney General of Kentucky

/s/ Richard P. Ieyoub
Attorney General of Louisiana

/s/ Andrew Ketterer
Attorney General of Maine

/s/ J. Joseph Curran, Jr.
Attorney General of Maryland

/s/ Tom Reilly
Attorney General of Massachusetts

/s/ Jennifer Granholm
Attorney General of Michigan

[end page 8]*

[begin page 9]*

/s/ Jeremiah W. Nixon
Attorney General of Missouri

/s/ Joseph P. Mazurek
Attorney General of Montana

/s/ Don Stenberg
Attorney General of Nebraska

/s/ Frankie Sue Del Papa
Attorney General of Nevada

/s/ Phillip T. McLaughlin
Attorney General of New Hampshire

/s/ Peter Verniero
Attorney General of New Jersey

/s/ Patricia Madrid
Attorney General of New Mexico

/s/ Eliot Spitzer
Attorney General of New York

/s/ Michael F. Easley
Attorney General of North Dakota

/s/ Heidi Heitkamp
Attorney General of North Dakota

/s/ Maya B. Kara
Attorney General of N. Mariana Isl.

/s/ Betty D. Montgomery
Attorney General of Ohio

[end page 9]*

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/s/ W. A. Drew Edmondson
Attorney General of Oklahoma

/s/ Hardy Myers
Attorney General of Oregon

/s/ D. Michael Fisher
Attorney General of Pennsylvania

/s/ Jose A. Fuentes-Agostini
Attorney General of Puerto Rico

/s/ Sheldon Whitehouse
Attorney General of Rhode Island

/s/ Charlie Condon
Attorney General of South Carolina

/s/ Mark Barnett
Attorney General of South Dakota

/s/ Paul Summers
Attorney General of Tennessee

/s/ Jan Graham
Attorney General of Utah

/s/ William H. Sorrell
Attorney General of Vermont

/s/ Iver A. Stridiron
Attorney General of Virgin Islands

/s/ Mark L. Earley
Attorney General of Virginia

[end page 10]*

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/s/ Christine O. Gregoire
Attorney General of Washington

/s/ Darrell V. McGraw Jr.
Attorney General of West Virginia

/s/ James E. Doyle
Attorney General of Wisconsin

/s/ Gay Woodhouse
Attorney General of Wyoming

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