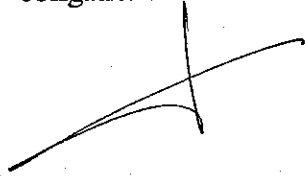


Exhibit A

Amendment No. _____ to Master Settlement Agreement

Pursuant to the Forbearance Agreement dated as of August 1, 2003 between Tabacos de Canarias S.L. ("CITA"), a corporation existing under the laws of Spain, and the Settling States (the "Forbearance Agreement"), Canary Islands Cigars Company ("CIC"), a wholly owned subsidiary of CITA, hereby signs and executes this Amendment No. ("this Amendment") to the Master Settlement Agreement ("MSA") dated as of August 1, 2003. Unless otherwise indicated, all capitalized terms not otherwise defined in this Amendment shall have the same meaning given those terms in the Forbearance Agreement, or if not defined therein, the MSA.

A. In signing and executing this Amendment, CIC agrees and acknowledges that as of the effective date of this Amendment ("Effective Date") it shall become CITA's sole distributor, with the right to appoint sub-distributors, of all brands of cigarettes manufactured by CITA for distribution in the United States and shall meet the payment obligations set forth in the separate Forbearance Agreement entered into concurrently with this Amendment with respect to all such cigarettes manufactured by CITA and imported into the United States prior to the Effective Date of this Amendment. For purposes of this Amendment, the Effective Date is the date by which CIC and each of the Settling States have executed this Amendment and CITA and each of the Settling States have executed the Forbearance Agreement. This Amendment shall in no way relieve TCI or Alliance of their financial and other obligations under the MSA both before and after the Effective Date, and the obligations of CIC with regard to cigarettes



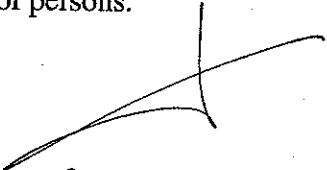
manufactured and sold in the United States prior to the Effective Date shall be subject to the terms set forth in the Forbearance Agreement.

B. Notwithstanding sections II(jj) and II(uu) of the MSA, CIC shall be considered a Tobacco Product Manufacturer and a Participating Manufacturer, and CITA shall not be considered a Tobacco Product Manufacturer (and CITA shall for the purposes of the Model Statute set forth in Exhibit T to the MSA ("Model Statute") only, be considered to be a Participating Manufacturer), provided that:

a. CIC signs the MSA as of the Effective Date of this Amendment and is bound by such Agreement in all Settling States in which such Agreement binds Original Participating Manufacturers and Subsequent Participating Manufacturers;

b. On or before the Effective Date CITA and CIC shall have entered into an exclusive distributorship agreement (the "Exclusive Distribution Agreement"), in a form materially the same as Exhibit 1 hereto, and such Exclusive Distribution Agreement remains in full force and effect, and the parties fully perform their obligations thereunder. The Exclusive Distribution Agreement must contain the following terms:

1. CITA appoints CIC as its exclusive distributor (other than as set forth in paragraph 4 hereof) for sale in any state in the United States, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa and the Northern Mariana Islands ("the United States") of all cigarettes which are or may be manufactured by CITA, or by any licensee or Affiliate of CITA, and which are exported for intended sale in the United States, subject to the terms and conditions appearing in the Exclusive Distribution Agreement (insofar as such terms and conditions are not inconsistent with paragraphs 1 through 6 hereof). The term "Affiliate" as used herein shall mean a person who directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with, another person. Solely for the purpose of this definition, the terms "Owns", "Is Owned" and "Ownership" means ownership of an equity interest, or the equivalent thereof, of more than 50 percent, and the terms "Person" means an individual, partnership, committee, association, corporation or any other organization or group of persons.



2. CITA shall not appoint any person other than CIC as an additional distributor for sale of cigarettes within the United States, nor shall CITA sell or distribute cigarettes in the United States except through CIC or market or advertise cigarettes in the United States. Notwithstanding the foregoing, nothing contained in this paragraph or this Amendment shall prohibit CIC from appointing its own distributors or sub-distributors.

3. CITA shall supply cigarettes which shall comply with the requirements or applicable regulations effective in the United States. CIC shall obtain, or require its distributor or subdistributor to obtain, the governmental certification, license, permit or approval necessary to import and distribute cigarettes in the United States and shall sell cigarettes in the United States in strict compliance with any and all laws, regulations and other requirements of federal, state, and local governments and their agencies. Consistent with the terms of the Forbearance Agreement, CIC shall be responsible for all payments under the MSA with respect to all CITA-manufactured cigarettes sold in the United States prior to and after the date of this Agreement, shall pay the taxes specified in the subsection II(z) of the MSA on the cigarettes, and shall report the cigarettes as its shipments in the manner prescribed in subsection II(mm) of the MSA.

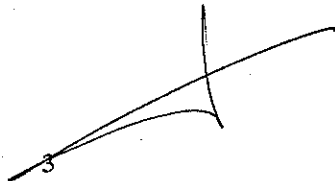
4. The Exclusive Distribution Agreement between CITA and CIC shall be effective on the date of execution of that agreement (which shall be on or before the Effective Date) and shall not be terminated by either party to that agreement unless CITA has appointed another signatory to the MSA as distributor for the United States as long as the MSA remains in effect.

5. The Settling States and the Original Participating Manufacturers are third-party beneficiaries of the Exclusive Distribution Agreement.

C. CIC shall not, after the time CIC becomes a signatory to the MSA, import, sell or distribute cigarettes manufactured (or purchased for resale in the United States) by a Non-Participating Manufacturer;

D. If CITA becomes an Affiliate of an Original Participating Manufacturer ("OPM"), CIC will not import or distribute the cigarettes unless CIC assumes the payment obligations under the MSA of an OPM with respect to all cigarettes manufactured by CITA (or under trademarks owned by or licensed to CITA) and imported or distributed by CIC.

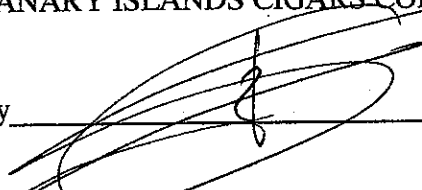
E. If CIC becomes an Affiliate of an OPM, CIC will assume the payment obligations under the MSA of an OPM with respect to the cigarettes shipped by CIC in or to the United States.



Dated: August 7, 2003

CANARY ISLANDS CIGARS COMPANY

By _____



Francisco Javier Zamorano
President

Exhibit 1

Exclusive Distribution Agreement

This Exclusive Distribution Agreement is entered into between Tabacos De Canarias S.L. ("CITA") and Canary Islands Cigars Company ("CIC"), its wholly-owned subsidiary, as of August 1, 2003 ("this Agreement"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the same meaning as those same terms used in the Forbearance Agreement between the Settling States, CITA and CIC ("the Forbearance Agreement"), or if not defined therein, the Master Settlement Agreement with the Settling States ("MSA").

1. CITA hereby appoints CIC, and CIC accepts the appointment, as its exclusive distributor for sale in any state in the United States, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa and the Northern Mariana Islands ("the United States") of all cigarettes which are or may be manufactured by CITA, or by any licensee or Affiliate of CITA, and which are exported for intended sale in the United States. The term "Affiliate" as used herein shall mean a Person who directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with, another person. Solely for the purpose of this definition, the terms "Owns", "Is Owned" and "Ownership" means ownership of an equity interest, or the equivalent thereof, of more than 50 percent, and the term "Person" means an individual, partnership, committee, association, corporation or any other organization or group of persons.

2. CITA shall not appoint any Person as an additional distributor for sale of its cigarettes within the United States, nor shall CITA sell or distribute cigarettes in the United States except through CIC or market or advertise cigarettes in the United States.

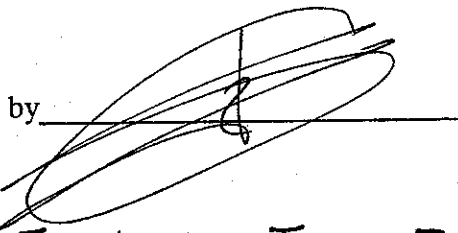
Notwithstanding the foregoing, nothing contained in this paragraph shall prohibit CIC from appointing its own distributors or sub-distributors.

3. CITA shall supply cigarettes which shall comply with the requirements or applicable regulations effective in the United States. CIC shall obtain, or require its distributor or sub-distributor to obtain, the governmental certification, license, permit or approval necessary to import and distribute cigarettes in the United States and shall sell cigarettes in the United States in strict compliance with any and all laws, regulations and other requirements of federal, state, and local governments and their agencies. Consistent with the terms of the Forbearance Agreement, CIC shall be responsible for all payments under the MSA with respect to all CITA-manufactured cigarettes sold in the United States prior to and after the date of this Agreement, shall pay the taxes specified in the subsection II(z) of the MSA on the cigarettes, and shall report the cigarettes as its shipments in the manner prescribed in subsection II(mm) of the MSA.

4. This Agreement shall be effective as of the date first written above and shall not be terminated by either party unless CITA has appointed another signatory to the MSA as its exclusive distributor for the United States as long as the MSA remains in effect.

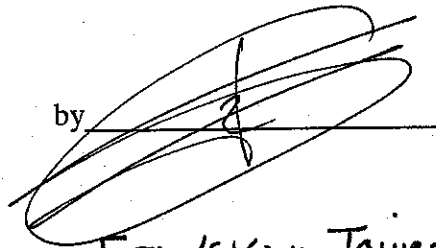
5. The Settling States and the Original Participating Manufacturers are third-party beneficiaries of this Agreement.

Canary Islands Cigars Company, Inc.

by 

Francisco Javier Zamorano
President

Tabacos De Canarias S.L.

by 

Francisco Javier Zamorano
Consejero Delegado

EXHIBIT B

CONTRACT OF GUARANTY

This Contract of Guaranty ("this Guaranty") is entered into by Tabacos De Canarias S.L. ("CITA") for the benefit of the forty-six States, the District of Columbia, the Commonwealth of Puerto Rico, and the four United States Territories (the "Settling States") under the Master Settlement Agreement dated November 23, 1998 ("MSA") and in connection with the Forbearance Agreement between CITA and the Settling States executed concurrently with this Guaranty (the "Forbearance Agreement"). Unless otherwise indicated, capitalized terms used in this Guaranty shall have the same meaning as those in the Forbearance Agreement.

WHEREAS, certain disputes have arisen between the Settling States and CITA relating to the performance under the MSA of TCI, as CITA's exclusive United States distributor of the Cigarettes; and

WHEREAS, the Settling States and CITA have entered into the Forbearance Agreement to resolve those disputes; and

WHEREAS, pursuant to the Forbearance Agreement CIC will be obligated to make payments to the Escrow Agent under the MSA on account of sales by it and its affiliates, and on account of past sales by TCI and Alliance to the extent payments are not made by TCI or Alliance, defined in the Forbearance Agreement as the TCI/Alliance Prior Years' Balance;

IT IS NOW AGREED, for good and sufficient consideration and as a material inducement for the Settling States to enter into the Forbearance Agreement, that CITA does hereby guaranty to the Settling States each and every one of the payments by CIC required by the Forbearance Agreement, including full payment of the TCI/Alliance Prior Years' Balance.

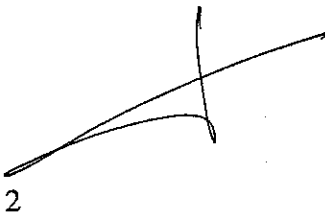
In the event that the Exclusive Distribution Agreement between CITA and CIC is terminated and CITA appoints another signatory to the MSA to be the exclusive distributor of its cigarettes in the United States, this Guaranty shall also apply to the MSA payments owed with respect to cigarettes manufactured by CITA and sold by such other signatory in the United States.

This Guaranty shall remain in full force and effect until the TCI/Alliance Prior Years' Balance is paid in full notwithstanding any extension, compromise, adjustment, forbearance, waiver, release or discharge of CIC, and the undersigned waives all notices thereto. This Guaranty is binding upon the undersigned and its successors or assigns. This Guaranty shall be unconditional and absolute, and CITA waives all rights of subrogation and set-off. CITA further waives all suretyship defenses or defenses in the nature thereof.

The obligations of CITA shall be, at the election of the Settling States or any of them, primary and not necessarily secondary, and the Settling States, or any of them, shall not be required to exhaust their or its remedies as against CIC or any other party prior to enforcing their or its rights under this Guaranty against the undersigned.

Any of the Settling States may enforce this Guaranty in its respective Court (as defined in Section II(p) of the MSA) and in such action the prevailing party shall be entitled to its costs and expenses (including its attorneys fees) in addition to all other remedies to which it may be entitled.

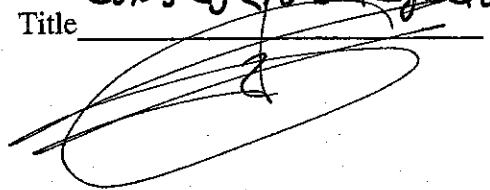
This Guaranty shall be construed and enforced under the laws of the State of New York, exclusive of those related to choice of law.

A handwritten signature in black ink, consisting of a series of overlapping loops and a long horizontal stroke extending to the right.

Executed as of August 4, 2003

TABACOS DE CANARIAS S.L.

By Francisco Javier Zamorano
Title Consejero Delegado

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a central vertical stroke, positioned below the printed name and title.