

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

AMENDMENT # 5 TO MASTER SETTLEMENT AGREEMENT

Notwithstanding sections II(jj) and II(uu) of the Master Settlement Agreement, Japan Tobacco International, U.S.A. Inc. shall be considered to be a Tobacco Product Manufacturer and a Participating Manufacturer, and Japan Tobacco Inc. shall not be considered to be a Tobacco Product Manufacturer (and shall, for purposes of the Model Statute set forth in Exhibit T to the Master Settlement Agreement only, be considered to be a Participating Manufacturer), provided that:

(1) Japan Tobacco International U.S.A., Inc. signs the Master Settlement Agreement within 90 days after the MSA Execution Date and is bound by such Agreement in all Settling States in which such Agreement binds Original Participating Manufacturers;

(2) The agreement dated January 13, 1999 between Japan Tobacco Inc. and Japan Tobacco International Corp., on the one hand, and Japan Tobacco International U.S.A., Inc., on the other hand, attached hereto as Exhibit A remains in full force and effect and both parties thereto fully perform their obligations thereunder;

(3) Japan Tobacco International, U.S.A. Inc. does not, after the date of this agreement, import, sell or distribute cigarettes manufactured (or purchased for resale in the States) by a Non-Participating Manufacturer; and

(4) For purposes of sections IX(i) and IX(d)(1)(B) of the Master Settlement Agreement, Japan Tobacco International U.S.A., Inc.'s 1997 and 1998 Market Share: (A) shall not include cigarettes manufactured (or purchased for [end page 1])*

[begin page 2]* resale in the States) by any Non-Participating Manufacturer; and (B) shall include the Market Share for 1997 or 1998, whichever is in question, of Japan Tobacco Inc. (but only so long as the conditions specified in paragraphs (1)-(3) above are met).

All capitalized terms shall have the meaning given such terms in the Master Settlement Agreement.

Dated: February 5, 1999
New York, N.Y.

JAPAN TOBACCO INTERNATIONAL
U.S.A., INC.

By: /s/ Name: Masayuki Hamada
Title: President

[end page 2]*

EXHIBIT A

[end Ex. A cover page]*

IMPORT AND DISTRIBUTION AGREEMENT

This Import and Distribution Agreement dated 13th day of January, 1999 made by and between JT International Corp. (the "Exporter"), a company duly incorporated according to the laws of Japan with its principal office at JT Building, 2-1 Toranomom 2-chome, Minato-ku, Tokyo, Japan, and Japan Tobacco Inc. (the "Manufacturer"), a company duly incorporated according to the laws of Japan with its principal office at JT Building, 2-1 Toranomom 2-chome, Minato-ku, Tokyo, Japan, jointly and severally, as the first party (the "Manufacturer/Exporter") and Japan Tobacco International U.S.A., Inc. ("the Importer"), a company duly incorporated according to the laws of the State of California, U.S.A. with its principle office at 2441 205th Street, Suite C-102, Torrance, CA 90501, U.S.A., as the second party.

WITNESSETH:

WHEREAS, the Exporter is exclusively engaged in the business, among other things, of exporting from Japan and selling to the territory of the U.S.A. all cigarettes manufactured by and

under trademarks of the Manufacturer;

WHEREAS, the Importer maintains a market organization and markets cigarettes in the area as defined as the Territory below;

WHEREAS, the Manufacturer/Exporter and the Importer desire to promote the sale of said cigarettes in said Territory;

WHEREAS, the Manufacturer/Exporter desires to continue the appointment of the Importer on the terms and conditions hereinafter set forth as its exclusive importer and distributor for effecting the import and distribution of said cigarettes; and

WHEREAS, the Importer is willing to accept such appointment as exclusive importer and distributor of said cigarettes subject to such terms and conditions.

[end page 1 of Ex. A]*

NOW, THEREFORE, in consideration of the mutual covenants and acknowledgments herein made the parties hereto agree as follows:

1. IMPORTER

1.1 Appointment

The Manufacturer/Exporter hereby appoints the Importer as its exclusive importer and distributor for sale in the territory of any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Marianas (the "Territory") of any and all Cigarettes (as such term is defined in the Master Settlement Agreement dated November 23, 1998 referred to hereinafter as the "MSA") which are and will be manufactured by the Manufacturer or any Affiliate thereof and exported for intended sale in the Territory, subject to the terms and conditions appearing in this Agreement. 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 purpose of this definition, the terms "owns", "is owned" and "ownership" mean ownership of an equity interest, or the equivalent thereof, of 50 percent or more, and the term "person" means an individual, partnership, committee, association, corporation or any other organization of group of persons.

1.2 Exclusivity

The Manufacturer/Exporter shall not appoint any person other than the Importer as an additional importer and distributor for sale of the Cigarettes within the Territory nor shall the Manufacturer/Exporter sell or distribute the Cigarettes in the Territory except through the Importer or market or advertise the Cigarettes in the Territory.

1.3 Sub-distributor/Sub-importer [end page 2 of Ex. A]*

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[begin page 3 of Ex. A]*

The Importer may appoint sub-distributor(s) and/or sub-importer(s) without the prior written consent of the Manufacturer/Exporter. Such appointment shall not constitute any commitment by the Manufacturer/Exporter to any contractual relationship with the sub-distributor(s) and the sub-importer(s). The Importer shall keep the Manufacturer/Exporter informed as to the identities of all such the sub-distributor(s) and sub-importer(s).

2. RELATIONS BETWEEN PARTIES

2.1 Legal relationship

The Importer shall conduct its business on its own account, at its own risk and in its own name and shall not act as an agent or legal representative of the Manufacturer/Exporter nor give any warranty or make or agree to any condition on behalf of the Manufacturer/Exporter nor incur any obligation or other commitment for or otherwise act in the same name of the Manufacturer/Exporter unless expressly authorized in writing by the Manufacturer/Exporter.

2.2 Report

To ensure the smooth operation of this Agreement and successful business arrangements between the parties, the Importer shall furnish the Manufacturer/Exporter, on a regular basis, reports showing the quantity of sale, retail price and stock of the Cigarettes and market condition in the Territory with supporting data.

3. NAME AND TRADEMARK

3.1 Trademark right

It is acknowledged by both parties hereto that the words “JT”, “Japan Tobacco”, “Japan Tobacco Inc.” and “JT Inc.” whether used as brand names or trade names as well as [end page 3 of Ex. A]*

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[begin page 4 of Ex. A]* any of the trademarks under or in relation to which the Cigarettes are distributed and sold (the “Names and Marks”), shall be the property of the Manufacturer. Nothing herein contained shall be construed as transferring any patent, utility model, trademark, design or

copyright in the Cigarettes or the Names and Marks; all such rights are expressly reserved to the true and lawful owners thereof. This Agreement shall not be construed to grant to the Importer the right of using the Names and Marks of their owners except for the purpose of advertising and selling the Cigarettes in the Territory. The Importer shall not register any of the Names and Marks without written consent by their owners under any circumstances.

3.2 Infringement by a third party

If the Importer has found that trademarks, copyrights or other intellectual property rights in terms of the Cigarettes or the Names and Marks are disputed or infringed upon by a third party, the Importer shall promptly inform the Manufacturer/Exporter thereof and assist the Manufacturer/Exporter to take steps necessary to protect its rights.

4. DISTRIBUTION

4.1 Manner of business

The Importer shall conduct its business in a manner that will reflect favorably at all times on the Manufacturer/Exporter, the Cigarettes and the good name, goodwill and reputation thereof, and shall avoid in every way any deceptive, misleading, unlawful or unethical practice that is or might be detrimental to the Manufacturer/Exporter or the Cigarettes.

4.2 Stocks

The Importer shall always carry in stock an adequate quantity of the Cigarettes to the extent commercially appropriate to actively promote demand for the Cigarettes [end page 4 of Ex. A]*

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[begin page 5 of Ex. A]* within the Territory.

4.3 Information on sub-distributor(s)/sub-importer(s)

The Importer shall supply to Manufacturer/Exporter full names of sub-distributor(s) and/or sub-importer(s) appointed by the Importer within the Territory together with volume of the Cigarettes dealt with by each of such sub-distributor(s) and sub-importer(s) with such additional details as the Manufacturer/Exporter may reasonably request. All changes to the information so supplied shall be notified in writing by the Importer to the Manufacturer/Exporter as they occur.

5. COMPLIANCE WITH LAW

The Manufacturer/Exporter shall supply the Cigarettes which comply with the requirements or applicable regulations effective in the Territory. The Importer shall obtain all the governmental certification, license, permit or approval necessary to import and distribute the Cigarettes in Territory and shall sell the Cigarettes in the Territory in strict compliance with any and all laws, regulations and other requirements of federal, state, and local governments and their agencies. The Importer shall be responsible for the payments under the MSA with respect to the Cigarettes and shall pay the taxes specified in subsection II(z) of the MSA on the Cigarettes.

6. SALES CONTRACT

6.1 Individual contract

The Importer agrees to purchase the Cigarettes from the Manufacturer/Exporter under individual sales contracts to be agreed upon separately between the Importer and the Manufacturer/Exporter. The Manufacturer/Exporter may accept orders or not, at its option and discretion; provided, however, that such acceptance shall not be unreasonably withheld. The Manufacturer/Exporter will not be held liable for loss or damage caused [end page 5 of Ex. A]*

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[begin page 6 of Ex. A]*

by its non-acceptance of orders or by any delay in making delivery.

6.2 Prices

All orders from the Importer will be priced at the then current prices of the Manufacturer/Exporter as of the date of order placement. The Manufacturer/Exporter reserves the right to change its prices for the Cigarettes at any time. Provided, that price changes shall not apply to orders for the Cigarettes which have been accepted by the Manufacturer/Exporter.

6.3 Payment

Payment for prices from the Importer to the Manufacturer/Exporter shall be effected by a wire transfer of net cash to the bank account designated by the Manufacturer/Exporter.

6.4 Title

Title to each of the Cigarettes purchased by the Importer shall pass to the Importer in accordance with the terms of F.O.B. (Incoterms 1990) at the port of Tokyo or Yokohama, Japan.

7. DURATION AND TERMINATION

7.1 Duration

This Agreement shall be effective on the day and year first above written and shall continue for an initial period of two years. Thereafter this Agreement shall be automatically renewed upon the same terms and conditions, for successive additional terms of two years each, unless at least ninety (90) days prior to the expiration of the initial or renewal term, as the case may be, one party shall give the other party written notice of its desire to terminate this Agreement upon the expiration of the term then in [end page 6 of Ex. A]*

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[begin page 7 of Ex. A]* effect; provided, however, that this Agreement shall not be terminated by either party under this paragraph or any other paragraph hereof unless Manufacturer/Exporter have appointed another signatory to the MSA as exclusive importer for the Territory pursuant to an agreement with like terms insofar as related to the MSA as long as the MSA remains in effect. It is hereby acknowledged that the Original Participating Manufacturers and the Settling States to the MSA are third party beneficiaries of this and any other provision herein relating to the MSA.

7.2 Termination

Each party may terminate without prejudice to any other remedies available to it, this Agreement by written notice given to the other party, effective immediately, in any one of the following events:

- a) in the event the other party fails to cure the breach of one or more of its material obligations under the terms of this Agreement within 30 days after the receipt of a notice specifying the nature of the breach and requiring the other party to make it good; or
- b) in the event the other party becomes insolvent or bankrupt, or has made an assignment for the benefit of its creditors, or a trustee or receiver of the other party is appointed for all or substantial part of its property, or petition for commencement of bankruptcy, reorganization, dissolution or other similar proceeding has been filed;
- c) in the event any change in the substantial interest in the direct or indirect ownership of the other party by sale, transfer or relinquishment, voluntary or involuntary, by operation of law or otherwise, of such interest, which would impair the trustful relationship between the parties hereto.

7.3 Effect of Termination

Upon termination of the Agreement, the terminating party may at its option wholly or partly

cancel or immediately fulfill any outstanding order. Neither the [end page 7 of Ex. A]*

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[begin page 8 of Ex. A]* Manufacturer/Exporter nor the Importer is, by reason of the termination of this Agreement, liable to the others for compensation, reimbursement of damages on account of expenditures, investments or commitments made in connection therewith or in connection with the establishment, development or maintenance of the business or goodwill of the Manufacturer/Exporter or the Importer or on account of any other cause whatsoever, provided, however, that such termination does not affect the Importer's obligation to pay in full for all the Cigarettes previously sold hereunder to the Importer. It is also explicitly agreed by both parties that should this Agreement be terminated by the written notice by one party upon the expiration of term in effect pursuant to paragraph 7.1 above, neither party shall claim any compensation, reimbursement of damages or otherwise any monetary nature against the other party for any reason except the payment for the price of the Cigarettes, if outstanding as of the date of the termination, which were delivered prior thereto.

8. GENERAL

8.1 Nonassignability

The Importer shall not assign this Agreement or any rights herein conferred on the Importer without the prior written consent of the Manufacturer/Exporter.

8.2 Secrecy

During the term of this Agreement and thereafter, the Importer and the Manufacturer/Exporter shall maintain in strict confidence any and all matters relating to the transactions covered by this Agreement unless authorized otherwise by the other party in writing.

8.3 Governing Law

This Agreement shall be deemed to be a contract made under and shall be governed solely by and construed in accordance with the laws of Japan. [end page 8 of Ex. A]*

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[begin page 9 of Ex. A]*

8.4 Arbitration

All disputes, controversies, or differences which may arise among the parties hereto, in connection with this Agreement or for the breach thereof, shall be settled by arbitration in Tokyo,

Japan in accordance with the rules of the Japan Commercial Arbitration Association. The award rendered by the arbitrators shall be final and binding upon the parties.

8.5 Entire Agreement

This Agreement contains the entire and only agreement by and among the Manufacturer/Exporter and the Importer with respect to the subject matter hereof.

8.6 Amendment

Except as provided in paragraph 6.2 above hereof no change, modification or amendment of this Agreement shall be binding upon the Manufacturer/Exporter or the Importer unless made in writing and signed by the Manufacturer/Exporter and the Importer.

8.7 Force Majeure

No party shall be responsible to the others for failure to conform to this Agreement for reasons beyond their control; including but not limited to force majeure such as strikes, labor disputes, floods, civil commotion, war, riot, act of God, governmental rules, laws or actions, fires, embargoes, quotas or other unavoidable causes.

8.8 Waiver

No delay or omission or failure to exercise any right or remedy provided for herein shall be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. [end page 9 of Ex. A]*

[begin page 10 of Ex. A]*

8.9 Notice

Any notice given under this Agreement shall be made by prepaid registered airmail, cable, telex or fax to the address mentioned below or to such address as is notified in writing by the parties hereto. If any one of the parties changes its address, a written notice thereof shall be given to the other party. All notices by registered airmail shall be deemed to have been given on the tenth (10th) business day following the date of posting thereof. All notices by cable or telex, which shall become effective when it arrives at the addressee, shall be followed by a copy thereof sent by prepaid registered airmail:

To: Japan Tobacco Inc. and JT International Corp.
JT Building, 2-1 Toranomom 2-chome, Minato-ku, Tokyo, Japan

To: Japan Tobacco International U.S.A., Inc.
2441 205th Street, Suite C-102, Torrance, [C]A 90501, U.S.A.

[end page 10 of Ex. A]*

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[begin page 11 of Ex. A]*

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

Japan Tobacco Inc.
By: /s/ Hidoshi Fujishiro
Managing Director, Tobacco Business Planning

JT International Corp.
By: /s/ Toshio Kikuma
President

Japan Tobacco International U.S.A., Inc.
By: /s/ Masayuki Hamada
President

[end page 11 of Ex. A]*

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