

### **Application Agreement**

1. This Agreement is entered into by and between General Jack's, Inc ("General Jack's") and the undersigned States that have executed the Master Settlement Agreement ("Settling States"), collectively the Parties; and shall bind the Parties hereto.
2. The Parties wish to define the terms upon which General Jack's application to become a Subsequent Participating Manufacturer ("SPM") under the Master Settlement Agreement ("MSA") will be granted. The following agreement sets forth a series of steps that must be taken prior to such application being granted. If all of the steps set out below have been successfully completed to the Settling States' satisfaction, as provided below, prior to the proposed date of General Jack's admission to the MSA, General Jack's admission will be governed by the terms of the Adherence Agreement, attached hereto as Exhibit I.
3. Failure to successfully complete any of these steps to the satisfaction of the Settling States will entitle the States to refuse to execute Exhibit I and to deny the MSA application of General Jack's.
4. General Jack's affirms that all information contained in its MSA Application and related materials, and all representations made by its principals in conjunction with that Application, are accurate and truthful.
5. General Jack's represents that it has applied for and obtained a permit to manufacture tobacco products from the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of Treasury ("TTB"). General Jack's further represents that its permit - TP-# - is specific to a facility located at 1100 Exeter Hall Road, Baltimore, MD 21218, a facility for which General Jack's has a lease. General Jack's further represents

that neither it nor any of its past or present affiliates, owners or principals currently own or lease any Cigarette manufacturing equipment, and that neither it nor any of its past or present affiliates, owners or principals have manufactured any Cigarettes in the past, or currently manufacture Cigarettes.

6. The steps that must be taken by General Jack's are as follows:
  - a. General Jack's shall, no later than 60 days after the Settling States sign this Application Agreement, provide the Settling States with a copy of a valid, executed purchase agreement or lease for a tobacco manufacturing facility for which a Tobacco Producer permit has been granted by TTB to Company. The lease/purchase agreement for the manufacturing facility shall not provide the lessor/seller with any direct or contingent equity interest, or any beneficial interest in General Jack's. The lease/purchase agreement also shall not provide for compensation to the lessor/seller based on levels of production or sales of Cigarettes
  - b. Should the location of the permitted manufacturing facility change from 1100 Exeter Hall Road, Baltimore, MD 21218, General Jack's shall obtain TTB approval to transfer their permit to the new facility and provide evidence of such approval and transfer to the States no later than 60 days after the Settling States sign this Application Agreement.
  - c. General Jack's shall, no later than 60 days after the Settling States sign this Application Agreement, provide the Settling States with a copy of a valid, executed purchase agreement or lease for Cigarette manufacturing equipment. The leases/purchase agreements for the Cigarette

manufacturing equipment shall not provide the lessor/seller with any direct or contingent equity interest, or any beneficial interest in General Jack's. The leases/purchase agreements also shall not provide for compensation to the lessor/seller based on levels of production or sales of Cigarettes

- d. Other than the leases/purchase agreements for the manufacturing facility and the cigarette fabrication machinery, General Jack's shall not, prior to 60 days after the Settling States have signed this Application Agreement, alter its ownership or business from what has been represented to the Settling States in Company's application to become a signatory to the MSA and accompanying documents.

7. If General Jack's has completed all of the requirements in Paragraph 5 to the Settling States' satisfaction within 60 days of the Settling States signing this Application Agreement, the undersigned Settling States agree to execute the Adherence Agreement attached hereto as Exhibit 1, and accept General Jack's as a signatory to the MSA.

8. General Jack's agrees that, in conjunction with executing the Adherence Agreement and MSA Execution, it will cooperate with completing all other related and standard documents relevant to becoming a signatory to the MSA, including the assurance letters regarding the Allocable Share Amendment and Complementary Legislation, and including all documents related to creating necessary escrow accounts, security agreements and the like.

9. Nothing in this Agreement shall be construed to waive any claims of

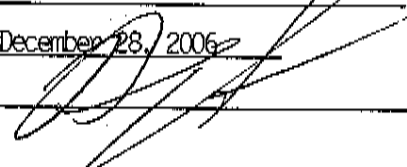
Sovereign Immunity any State may have in any action or proceeding.


10. This Application Agreement may only be enforced by the Parties hereto.

11. General Jack's agrees that the location of any meetings relating to its MSA

Application shall not be used for any venue or jurisdictional purpose in any action or proceeding.

IN WITNESS WHEREOF, the parties hereto, through their full authorized representatives, have agreed to this agreement, as of this 28th day of December, 2006:

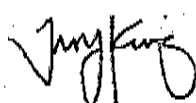
Company Name: General Jack's, Inc  
 Address: Executive Plaza III, Suite 800, 11350 McCormick Rd.  
Hunt Valley, Maryland 21031  
 Phone/Fax: 410-771-9150 (Voice) 410-771-9153 (Facsimile)  
 Date: December 28, 2006  
 Signature:   
 Printed Name: Robert Mansfield Douglas  
 Title: President/Sole Shareholder  
 Address: Executive Plaza III, Suite 800 11350 McCormick Rd.  
Hunt Valley, Maryland 21031  
 Phone/Fax: 410-771-9150 (Voice) 410-771-9153 (Facsimile)  
 Email: robertmdouglas@hotmail.com

*Sworn in before me this 28 day of December, 2006*  
  
**JOAN P RAY**  
 Notary Public-Maryland  
 Baltimore County  
 My Commission Expires  
 June 24, 2009

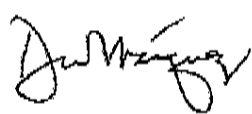


**Settling States**

Signed: December 22, 2006



Troy King  
Attorney General of Alabama



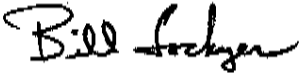
David W. Márquez  
Attorney General of Alaska



Terry Goddard  
Attorney General of Arizona



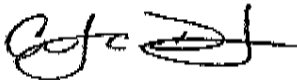
Mike Beebe  
Attorney General of Arkansas



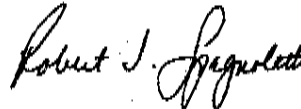
Bill Lockyer  
Attorney General of California



Richard Blumenthal  
Attorney General of Connecticut



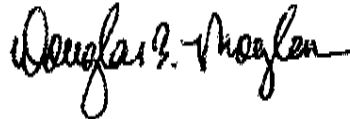
Carl C. Danberg  
Attorney General of Delaware



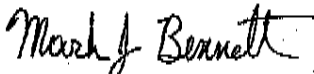
Robert Spagnoletti  
Attorney General of District of Columbia



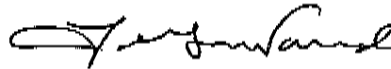
Thurbert E. Baker  
Attorney General of Georgia



Attorney General of Guam  
Attorney General Douglas B. Moylan



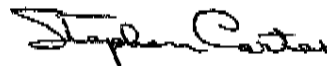
Mark J. Bennett  
Attorney General of Hawaii



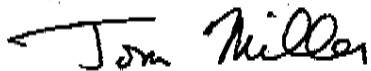
Lawrence Wasden  
Attorney General of Idaho



Lisa Madigan  
Attorney General of Illinois



Steve Carter  
Attorney General of Indiana



Tom Miller  
Attorney General of Iowa



Phill Kline  
Attorney General of Kansas

Gregory D. Stumbo  
Attorney General of Kentucky

Charles C. Foti Jr.  
Attorney General of Louisiana

G. Steven Rowe  
Attorney General of Maine

J. Joseph Curran Jr.  
Attorney General of Maryland

Tom Reilly  
Attorney General of Massachusetts

Mike Cox  
Attorney General of Michigan

Jeremiah W. Nixon  
Attorney General of Missouri

Mike McGrath  
Attorney General of Montana

Jon Bruning  
Attorney General of Nebraska

George J. Chanos  
Attorney General of Nevada

Kelly Ayotte  
Attorney General for New Hampshire

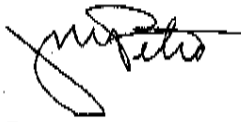
Stuart Rabner  
Attorney General of New Jersey

Patricia A. Madrid  
Attorney General of New Mexico

Eliot Spitzer  
Attorney General of New York

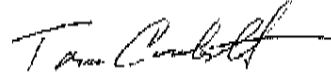
Roy Cooper  
Attorney General of North Carolina

Wayne Stenehjem  
Attorney General of North Dakota



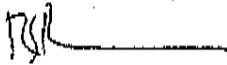
Jim Petro  
Attorney General of Ohio

W.A. Drew Edmondson  
Attorney General of Oklahoma



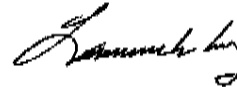
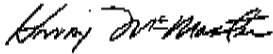
Hardy Myers  
Attorney General of Oregon

Tom Corbett  
Attorney General of Pennsylvania



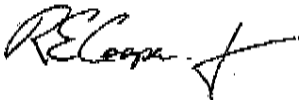
Roberto J. Sanchez-Ramos  
Attorney General of Puerto Rico

Patrick Lynch  
Attorney General of Rhode Island



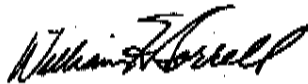
Henry McMaster  
Attorney General of South Carolina

Lawrence Long  
Attorney General of South Dakota



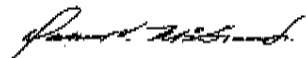
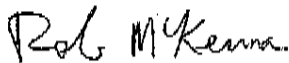
Robert E. Cooper, Jr.  
Attorney General of Tennessee

Mark Shurtleff  
Attorney General of Utah



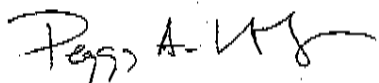
William H. Sorrell  
Attorney General of Vermont

Bob McDonnell  
Attorney General of Virginia

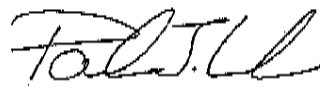


Rob McKenna  
Attorney General of Washington

Darrell V. McGraw Jr.  
Attorney General of West Virginia



**Peg Lautenschlager**  
**Attorney General of Wisconsin**



**Pat Crank**  
**Attorney General of Wyoming**