

Washington Settlement Agreement

Washington and the undersigned Participating Manufacturers (“Undersigned PMs”) hereby agree to resolve certain disputes between them regarding NPM Adjustments on the same terms as set forth in the October 2017 NPM Adjustment Settlement Agreement between certain other States and the Undersigned PMs (“2017 Settlement Agreement”), and further agree that such terms are incorporated into this Settlement as if fully set out herein, except to the extent they are modified below (“as modified” or “modifications”) (this Settlement being referred to herein as “the Washington Settlement”). To the extent that any provision of the 2017 Settlement Agreement conflicts with the modifications set forth herein, the modifications shall control.

1. The Undersigned PMs will receive 80% of their share of Washington’s allocable share of the 2005-2007 NPM Adjustments, with Washington receiving the balance, or 20%. The Undersigned PMs will also receive the following: (i) interest at the Prime Rate, compounded daily, for the period of days their 80% share was paid to Washington, and (ii) Disputed Payment Account (“DPA”) earnings for the period of days their 80% share was paid to the DPA. The Undersigned PMs that have withheld one or more years of Washington’s share of the of the 2005-2007 NPM Adjustments shall also pay to Washington interest at the Prime Rate, compounded daily, on its 20% share for the period of days its 20% share was withheld by the Undersigned PM. Days for interest will be determined from the first date after the 2005-2007 NPM Adjustments could have been applied to Washinton’s underlying payment (i.e., 4/16/2006 (2005 NPM Adjustment), 4/17/2007 (2006 NPM Adjustment), and 4/16/2008 (2007 NPM Adjustment) through 4/15/2025. Earnings will run through 4/22/2024, as shown in Notice ID 693.

- a. Washington’s share of the Undersigned PMs’ 2005 – 2007 NPM Adjustments plus interest and earnings payable as credits to the Undersigned PMs are as follows:

Undersigned PM	Credits 2005-2007 NPM Adjustments			
	Principal Amount	Interest	Earnings	Total
R.J. Reynolds Tobacco Company	\$ 26,124,676.68	\$ 13,051,380.19	\$ 2,320,233.00	\$ 41,496,289.87
Commonwealth Brands, LLC	1,322,325.76	433,479.16	157,733.93	1,913,538.85
Compania Industrial de Tabacos Monte Paz, S.A.	2,155.63	2,546.78	-	4,702.41
Daughters and Ryan, Inc.	2,001.10	2,448.59	-	4,449.69
House of Prince A/S	85.39	115.70	-	201.09
ITG Brands, LLC (SPM) (fka Lignum 2)	2,261.60	2,751.77	-	5,013.37
Japan Tobacco International U.S.A., Inc.	8,250.91	4,733.84	591.11	13,575.86
King Maker Marketing, Inc.	37,684.54	8,774.49	4,963.45	51,422.47
Kretek International	7,931.06	2,487.38	955.51	11,373.95
Scandinavian Tobacco Group Lane Ltd. (SPM)	10,156.36	13,851.80	-	24,008.15
Peter Stokkebye Tobaksfabrik A/S	9,710.93	12,877.02	-	22,587.95
Premier Manufacturing, Inc.	23,833.67	27,003.63	-	50,837.30
P.T. Djarum	29,606.64	7,752.89	3,883.80	41,243.32
Reemtsma Cigarettenfabriken GmbH (Germany)	2.53	3.45	-	5.98
Santa Fe Natural Tobacco Company, Inc.	109,695.05	135,738.58	-	245,433.63
Top Tobacco, L.P.	92,237.37	116,781.89	-	209,019.25
U.S. Flue-Cured Tobacco Growers, Inc.	6,912.56	8,251.14	-	15,163.70
Vector Tobacco LLC	3,541.42	(2,113.28)	687.54	2,115.69
Von Eicken Group	878.36	1,074.92	-	1,953.28
Wind River Tobacco Company, LLC	755.63	893.92	-	1,649.55
	\$ 27,794,703.19	\$ 13,830,833.86	\$ 2,489,048.32	\$ 44,114,585.38

- b. The Undersigned PMs that previously disputed and retained amounts related to the 2005-2007 NPM Adjustments shall pay Washington the following amounts (either directly or, at their option by depositing such amounts into the DPA and directing their release to Washington on April 15, 2025):

	Amounts Due 2005-2007 NPM Adjustments		
	Principal Amount	Interest	Total
Farmers Tobacco Co. of Cynthiana	\$ (26,882.32)	\$ (1,605.12)	\$ (28,487.45)
Liggett Group LLC	\$ (30,175.59)	\$ (50,032.92)	\$ (80,208.51)
	\$ (57,057.91)	\$ (51,638.05)	\$ (108,695.96)

- c. These distributions constitute a full and final settlement regarding the 2005-2007 NPM Adjustments and any reallocation adjustments between Washington and the Undersigned PMs. As a result, Washington will dismiss its currently pending case concerning this time period at the Washington State Court of Appeals, Case Number 87437-3-I, as to the Undersigned PMs. Washington however preserves its

right to continue the appeal as to those Tobacco Product Manufacturers that do not enter into the Washington Settlement.

2. The Undersigned PMs will receive 55% of their share of Washington's allocable share of the 2008 through 2012 NPM Adjustments, with Washington receiving the balance, or 45%.

3. The Undersigned PMs will receive 34% of their share of Washington's allocable share of the 2013 and 2014 NPM Adjustments, with Washington receiving the balance, or 66%.

4. The Undersigned PMs will receive 25% of their share of Washington's allocable share of the 2015-2024 NPM Adjustments, with Washington receiving the balance, or 75%.

5. The years 2025-2031 will be treated as "transition years," such that the Undersigned PMs will receive 25% of their share of Washington's allocable share of the 2025-2031 NPM Adjustments, with Washington receiving the balance, or 75%.

6. Washington will receive the amounts described in Paragraph 1-4 above through releases from the DPA. The Undersigned PMs and Washington shall jointly instruct the Independent Auditor (1) to apply the settlement credits set forth herein; and (2) to release from the DPA Washington's Allocable Share of the Undersigned PMs' amounts in the DPA (principal and earnings) related to the 2005-2023 NPM Adjustments. The joint instructions regarding the DPA release will be issued as soon as practicable after this settlement and the DPA amounts will be released to Washington on or about April 15, 2025, following the availability of funds as a result of maturity of T-Bills due on such date. For the years referenced in Paragraph 4-5 for which the Undersigned PMs have not yet deposited their shares of the disputed NPM Adjustment amounts into the DPA, Washington will receive the amounts described in those Paragraphs in the appropriate payment year directly from the Undersigned PMs or, at option of the Undersigned PM,

from depositing Washington's Allocable Share to the DPA and immediately directing its release to Washington.

7. The Undersigned PMs will receive the amounts described in Paragraphs 1-5 above through credits against Washington's MSA payments due beginning on April 15, 2025, except for R.J. Reynolds Tobacco Company ("RJRT"), which will receive the amounts on account of the 2005 through 2015 NPM Adjustments as follows: 24% as a credit against its MSA payment due on April 15, 2025, and the remainder as credits in four installments of 19% against its MSA payments due 2026-2029, with interest accruing on the remainder at the Prime Rate starting on April 15, 2025. The other Undersigned PMs will receive the amounts on account of the 2005 through 2015 NPM Adjustments as a single credit against their MSA payments due on April 15, 2025. The Undersigned PMs will receive the amounts on account of each of the 2016 through 2031 NPM Adjustments as credits against a single MSA payment, beginning with the application of the 2016 NPM Adjustment as a credit against the MSA payment due on April 15, 2026, and continuing annually, through the application of the 2031 NPM Adjustments as a credit against the MSA payment due on April 15, 2041. The amount of each credit will be determined based on the Independent Auditor's last (Revised) Final Calculation for the year in question in existence as of March 15 of the year in which the credit is applied. The amounts of such credits will not change regardless of any subsequent revisions of such Calculations by the Independent Auditor.

8. Credits received by the Undersigned PMs on account of the 2008-2015 NPM Adjustments as described in Paragraphs 1-4 are as follows:

Credits for NPM Adjustments	2008-2015
	Principal Amount
R.J. Reynolds Tobacco Company	\$ 46,533,615.61
Commonwealth Brands, LLC	\$ 2,244,020.22
Compania Industrial de Tabacos Monte Paz, S.A.	\$ 7,695.41
Daughters and Ryan, Inc.	\$ 1,534.21
ITG Brands, LLC (OPM)	\$ 161,327.67
ITG Brands, LLC (SPM) (fka Lignum 2)	\$ 110,663.14
Japan Tobacco International U.S.A., Inc.	\$ 112,939.15
King Maker Marketing, Inc.	\$ 55,646.88
Kretek International	\$ 5,226.02
Scandinavian Tobacco Group Lane Ltd. (OPM)	\$ 18,893.53
Liggett Group LLC	\$ 343,189.93
Peter Stokkebye Tobaksfabrik A/S	\$ 5,415.06
Premier Manufacturing, Inc.	\$ 73,487.14
P.T. Djarum	\$ 19,040.42
Santa Fe Natural Tobacco Company, Inc.	\$ 770,357.20
Top Tobacco, L.P.	\$ 64,578.35
U.S. Flue-Cured Tobacco Growers, Inc.	\$ 49,663.00
Vector Tobacco LLC	\$ 61,419.00
Von Eicken Group	\$ 689.28
Wind River Tobacco Company, LLC	\$ 2,095.33
	\$ 50,641,496.54

9. Farmers previously disputed and retained certain amounts related to the 2008-2015 NPM Adjustments (specifically 2008-2012) and therefore shall pay Washington the following amount (either directly or, at its option by depositing such amounts into the DPA and directing its release to Washington on April 15, 2025):

Amounts Due 2008-2015 NPM Adjustments	
Farmers Tobacco Co. of Cynthiana	\$ (100,159.79)

10. For transition years 2025-2031, the adjustments under Section V.B of the 2017 Settlement Agreement will apply but not the adjustments under Section V.C of the 2017 Settlement Agreement. For years 2005-2024, neither the adjustments under Section V.B nor under Section V.C of the 2017 Settlement Agreement will apply.

11. The parties agree that Washington's law, regulations and policy with respect to stamping, as currently in effect, meet the requirements of Section IX.D of the 2017 Settlement Agreement incorporated herein, *i.e.*, they are no different for any NPM Cigarettes than any PM Cigarettes and provide adequate specificity regarding when and what stamps are required, such that the consequences set out in Section IX.D of the 2017 Settlement Agreement will not apply to Washington so long as there is no change to Washington's stamping law, regulations or policy as currently in effect.

12. No determination that Washington failed to diligently enforce a Qualifying Statute in 2032, or any subsequent year will be based on NPM Cigarettes sold in or before sales year 2030.

13. Except to the extent that a court or arbitration panel determines that the diligence of the Signatory States must be individually determined to address the appropriate allocation of the NPM Adjustment as to the Undersigned PMs for any year from 2005 forward, the option described in Section VIII.F.2.b-d of the 2017 Settlement Agreement shall not apply to Washington.

14. **Most Favored Nation as to Signatory States.** If any Undersigned PM enters a settlement agreement with any Signatory State that resolves any of the 2005-2031 NPM Adjustments as to that Signatory State, and that settlement agreement includes terms more favorable to that Signatory State than those set forth in Paragraph 1-5 above, then Paragraphs 1-5 above must be revised so that Washington obtains terms as favorable as those obtained by that Signatory State. This requirement remains effective forever.

15. **Most Favored Nation as to Non-Signatory States.** If any Undersigned PM enters a settlement agreement with any Non-Signatory State that resolves any of the 2005-2031 NPM Adjustments as to that Non-Signatory State, and that settlement agreement includes terms more favorable to that Non-Signatory State than those set forth in Paragraphs 1-5 above, then Paragraphs

1-5 above must be revised so that Washington obtains terms as favorable as those obtained by that Non-Signatory State. This requirement remains effective until April 1, 2026.

16. **Most Favored Nations Applicable to Undersigned PMs.** If Washington settles the NPM Adjustment claims for any of the years 2005-2015 and that settlement agreement includes terms less favorable to the Undersigned PMs than those set forth in Paragraphs 1-5 above, then the Undersigned PMs shall receive a credit against their MSA payments that would produce equally favorable NPM Adjustment amounts for the Undersigned PMs that would have resulted if such more favorable terms were applied to the Undersigned PMs under the Settlement. If Washington resolves its NPM Adjustment claims for 2016 through 2031 and that settlement agreement includes terms less favorable to the Undersigned PMs than those set forth in Paragraph 4-5 above, then the terms of the Washington Settlement above shall be revised to reflect such more favorable terms that would apply to such future NPM Adjustments. This paragraph does not apply to any agreement reached with a Tobacco Product Manufacturer with respect to any NPM Adjustments on which the Tobacco Product Manufacturer has prevailed against Washington in an arbitration hearing relating to such NPM Adjustments, including without limitation the 2005-2007 NPM Adjustments.

17. Exhibit M to the 2017 Settlement Agreement is hereby supplemented to reflect that Washington approved the PSS Credit Amendment on November 21, 2008.

18. Washington has an option, at its sole discretion, to adopt at any time any of the provisions set forth in Exhibits K-L to the 2017 Settlement Agreement and Exhibits A-E to the 2018 through 2022 NPM Adjustments Settlement Agreement by giving a notice thereof to the Undersigned PMs.

19. All references in the terms of the 2017 Settlement Agreement that refer to actions or joinders or agreements becoming effective upon agreement of PMs with a specified percentage

of Market Share (including but not limited to sections II.K, III.E.2, VI.C.7, VII.B.2, VII.C.5.a, IX.I) shall be modified as to the Washington Settlement to agreement of the Undersigned PMs with 38% of the total Market Share for 2023 as shown in Column F of Attachment 4a to Notice ID 0687.

20. For purposes of the Washington Settlement, all references to “the Signatory States” in the terms of the 2017 Settlement Agreement shall be modified to refer to Washington, as well as any other State that joins the Washington Settlement.

21. For purposes of the Washington Settlement, all references to “Participating Manufacturers” or “PMs” in the terms of the 2017 Settlement Agreement shall be modified to mean the Undersigned PMs, all references to “Original Participating Manufacturers” or “OPMs” shall mean OPMs that are Undersigned PMs, and all references to “Subsequent Participating Manufacturers” or “SPMs” shall mean SPMs that are Undersigned PMs.

22. For purposes of the Washington Settlement, all references to “this Agreement” or “this Settlement Agreement” in the terms of the 2017 Settlement Agreement shall mean the Washington Settlement.

23. The Undersigned PMs and Washington acknowledge and agree that this settlement constitutes a negotiated resolution of all disputes related to the NPM Adjustments as between the Undersigned PMs and Washington and any reallocation based on those disputes. The Undersigned PMs and Washington further acknowledge that in all other respects the MSA remains binding on the parties.

24. Washington agrees to the terms of the 2017 Settlement subject to the modifications set forth herein only as to the Undersigned PMs. The Washington Settlement is intended solely for the benefit of the Undersigned PMs and Washington, and is not for the benefit of, nor may any of

its terms be enforced by, any Tobacco Product Manufacturer that is not an Undersigned PM. There shall be no intended or unintended third-party beneficiaries.

State of Washington

By its attorney,

Attorney General Nicholas W. Brown, by

S. Todd Side, ASSISTANT ATTORNEY GENERAL
Hereunto duly authorized

Print Name STEPHEN TODD SIDE

Date APRIL 7, 2025

**RJ Reynolds Tobacco Company, and
Santa Fe Natural Tobacco Company, By**

their attorney,

Hereunto duly authorized

Print Name _____

Date _____

its terms be enforced by, any Tobacco Product Manufacturer that is not an Undersigned PM. There shall be no intended or unintended third-party beneficiaries.

State of Washington

By its attorney,

Attorney General Nicholas W. Brown, by

Hereunto duly authorized

Print Name _____

Date _____

**RJ Reynolds Tobacco Company, and
Santa Fe Natural Tobacco Company, By**

their attorney,



Hereunto duly authorized

Print Name Elli Leibenstein

Date 4/7/2025

**Commonwealth Brands, LLC,
Compania Industrial de Tabacos Monte Paz,
S.A., Daughters & Ryan, Inc.,
Japan Tobacco International U.S.A.,
Inc., House of Prince A/S, King
Maker Marketing, Inc.,
Kretek International,
Scandinavian Tobacco Group Lane
Ltd., Liggett Group LLC,
ITG Brands, LLC,
Peter Stokkebye Tobaksfabrik A/S,
Premier Manufacturing, Inc.,
P.T. Djarum,
Reemtsma Cigarettenfabriken GmbH
(Germany), Top Tobacco, L.P.,
U.S. Flue-Cured Tobacco Growers,
Inc., Vector Tobacco LLC and
Von Eicken Group,**

By their attorney,

Hereunto duly authorized

Print Name _____

Date _____

**Farmers Tobacco Co. of Cynthiana, and
Wind River Tobacco Company, LLC**

By their attorney,



Hereunto duly authorized

Print Name Mark A. Loyd

Date April 7, 2025

**Commonwealth Brands, LLC,
Compania Industrial de Tabacos Monte Paz,
S.A., Daughters & Ryan, Inc.,
Japan Tobacco International U.S.A.,
Inc., House of Prince A/S, King
Maker Marketing, Inc.,
Kretek International,
Scandinavian Tobacco Group Lane
Ltd., Liggett Group LLC,
ITG Brands, LLC,
Peter Stokkebye Tobaksfabrik A/S,
Premier Manufacturing, Inc.,
P.T. Djarum,
Reemtsma Cigarettenfabriken GmbH
(Germany), Top Tobacco, L.P.,
U.S. Flue-Cured Tobacco Growers,
Inc., Vector Tobacco LLC and
Von Eicken Group,**

By their attorney,

Elizabeth B. McCallum

Hereunto duly authorized

Print Name Elizabeth B. McCallum

Date April 7, 2025

**Farmers Tobacco Co. of Cynthiana, and
Wind River Tobacco Company, LLC**

By their attorney,

Hereunto duly authorized

Print Name _____

Date _____