

**NPM ADJUSTMENT SETTLEMENT AGREEMENT
BETWEEN WASHINGTON AND PM USA**

A. RECITALS

WHEREAS, Philip Morris USA Inc. and Sherman's 1400 Broadway N.Y.C., LLC (collectively, "PM USA") and the State of Washington are parties to the Master Settlement Agreement ("MSA");

WHEREAS, PM USA makes annual payments pursuant to the MSA from which Washington receives its Allocable Share;

WHEREAS, there are disputes between PM USA and Washington over the applicability of the NPM Adjustment to such annual payments for the years 2005 through 2024;

WHEREAS, PM USA and Washington are currently litigating the validity of the arbitral award finding that the NPM Adjustments for the years 2005-2007 apply to Washington, and expect to arbitrate in the future the applicability of such NPM Adjustments for the subsequent years;

WHEREAS, PM USA and Washington wish to resolve their disputes with respect to the applicability of the NPM Adjustments for 2005-2015 in order to avoid the further expense, delay, inconvenience, burden and uncertainty of continued disputes with respect to the applicability of such NPM Adjustments; and

WHEREAS, PM USA and Washington further wish to agree on an efficient process for resolving their disputes under the MSA with respect to the applicability of the NPM Adjustments for subsequent years;

NOW, THEREFORE, in consideration for the payments and credits provided for in this Settlement Agreement, and such other consideration as described in this Settlement Agreement,

the sufficiency of which is hereby acknowledged, PM USA and Washington, acting by and through their authorized representatives, memorialize and agree as follows:

B. NPM ADJUSTMENTS FOR 2005-2015

1. Washington's share of the amounts in the Disputed Payments Account ("DPA") (both principal and earnings) deposited by PM USA on account of the 2005-2015 NPM Adjustments shall be released to Washington.

2. With respect to the 2005-2007 NPM Adjustments:

a. PM USA shall receive a settlement credit equal to 100% of Washington's share of PM USA's share of the 2005-2007 NPM Adjustments, plus interest thereon calculated pursuant to MSA Section XI(i)(2)(iii).

b. Promptly upon the execution of this Settlement Agreement, Washington shall withdraw its pending appeal of the Washington MSA Court's denial of Washington's motion to vacate the award of the 2005-2007 NPM Adjustments arbitration panel that found Washington liable for such NPM Adjustments.

c. Washington and PM USA shall jointly notify the 2005-2007 NPM Adjustments arbitration panel that their disputes with respect to such adjustments have been resolved and the arbitration as to Washington shall discontinue.

3. PM USA shall receive a settlement credit equal to 55% of Washington's share of PM USA's share of the 2008-2012 NPM Adjustments, with Washington receiving the balance (45%).

4. PM USA shall receive a settlement credit equal to 34% of Washington's share of PM USA's share of the 2013-2014 NPM Adjustments, with Washington receiving the balance (66%).

5. PM USA shall receive a settlement credit equal to 25% of Washington's share of PM USA's share of the 2015 NPM Adjustment, with Washington receiving the balance (75%).

6. Washington shall receive the amounts described in paragraphs 3-5 above through releases from the DPA.

7. PM USA shall receive the amounts described in paragraphs 2-5 above as a credit against its MSA payment due on April 15, 2026. The principal amounts of these credits (excluding interest) are as follows:

	2005-2015 Credits
Philip Morris USA Inc.	\$ 35,746,762.28
Sherman's 1400 Broadway N.Y.C.	\$ 18,642.15
Total Credit	\$ 35,765,404.43

The parties shall jointly instruct the Independent Auditor to determine and add to these credits the amount of interest due to PM USA pursuant to paragraph B.2.a above, calculated at the Prime Rate, compounded daily, for the following periods: from April 17, 2006 to April 15, 2026 for the credit due on account of the 2005 NPM Adjustment; from April 16, 2007 to April 15, 2026 for the credit due on account of the 2006 NPM Adjustment; and from April 15, 2008 to April 15, 2026 for the credit due on account of the 2007 NPM Adjustment.

8. Effective upon the implementation of the DPA releases and settlement credits set forth above, Washington and PM USA absolutely and unconditionally release and discharge each other from any further Claims directly or indirectly based on, arising out of, or in any way related, in whole or in part, to the 2005-2015 NPM Adjustments.

C. NPM ADJUSTMENTS FOR 2016-2020

1. Washington's share of the amounts in the DPA (both principal and earnings) deposited by PM USA on account of the 2016-2020 NPM Adjustments shall be released as follows: 75% to Washington and 25% to PM USA.

2. Washington and PM USA agree to arbitrate their disputes over the applicability of the 2016-2020 NPM Adjustments in a single arbitration proceeding commencing in 2026. Such arbitration proceeding (and the subsequent arbitration pursuant to paragraph D.4 below) shall include other Settling States that either agree to participate in it or are compelled to do so ("Participating States"). The arbitration proceeding with respect to such other Participating States may address disputes for the same NPM Adjustment years as for Washington and/or for other years, and may include other Participating Manufacturers in addition to PM USA. Washington shall cooperate with the other Participating States in selecting a single arbitrator for their side in such arbitration proceeding pursuant to MSA Section XI(c).

D. NPM ADJUSTMENTS FOR 2021 AND ALL SUBSEQUENT YEARS

1. Washington's share of the amounts in the DPA (both principal and earnings) deposited by PM USA on account of the NPM Adjustments for 2021 and any subsequent year shall be released from the DPA as follows: 75% to Washington and 25% to PM USA.

2. With respect to the NPM Adjustments that have not yet been deposited into the DPA, including for future years, at the time PM USA could deposit its respective adjustment amount for a given year into the DPA pursuant to the MSA and other existing agreements between PM USA and Washington, instead of depositing Washington's share of PM USA's NPM Adjustment for such year into the DPA PM USA (i) shall pay 75% of such share to Washington as part of the respective annual MSA payment, and (ii) shall retain 25% of such

share. At its option, PM USA may deposit all or part of such adjustment amount into the DPA and direct its release to Washington and PM USA as set forth in paragraph D.1.

3. The amounts released, paid, or retained pursuant to this Section D shall be based on the latest Final or Revised Final Calculations for the year in question predating the relevant Payment Due Date, and, subject to paragraph E.4, shall not change regardless of any subsequent revisions to such calculations by the Independent Auditor.

4. Washington and PM USA agree to arbitrate their disputes over the applicability of the NPM Adjustment for 2021 and no fewer than four additional years in a single arbitration proceeding. Such arbitration proceeding shall be commenced by PM USA and Washington, together with the other Participating States, if any, as described in paragraph C.2 of this agreement.

E. OTHER TERMS

1. All capitalized terms not otherwise defined herein shall be defined as in the MSA or the Independent Auditor's calculations.

2. For purposes of this Settlement Agreement, Washington's share of PM USA's NPM Adjustment for a given year shall equal the product of (i) the Potential Maximum NPM Adjustment for such year allocated to PM USA, as calculated by the Independent Auditor in the latest Final or Revised Final Calculation for such year, and (ii) Washington's Allocable Share.

3. The amounts to be released from the DPA pursuant to this Settlement Agreement shall be released as follows: PM USA and Washington shall jointly instruct the Independent Auditor (a) to confirm that it will apply the settlement credits set forth above, and (b) following that confirmation, to release the amounts described in this Settlement Agreement, to the extent they have already been deposited into the DPA, in connection with the annual MSA payment due on April 15, 2026, or sooner if Washington so elects.

4. PM USA and Washington do not waive, and specifically reserve, their respective rights under the MSA to seek or dispute the applicability to Washington of the NPM Adjustment for 2016 and any subsequent year. Payment to Washington and retention by PM USA of the portions of the NPM Adjustment for any such year shall have no effect on the parties' rights under the MSA to seek or dispute the applicability of the NPM Adjustment for such year, and such paid and retained portions shall be subject to recoupment as part of the amounts due under the MSA upon their resolution of the dispute with respect to such NPM Adjustment. Provided, however, that PM USA and Washington agree not to seek or receive interest on any NPM Adjustment amounts that may be due to any of them pursuant to the MSA upon a resolution of the dispute over the applicability to Washington of the NPM Adjustment for 2016 and any subsequent year.

5. The Significant Factor condition to the applicability of the NPM Adjustment under MSA section IX(d)(1)(C) shall be deemed satisfied as to Washington for 2024 and for each subsequent year.

6. Any credit and DPA release due to Sherman's 1400 Broadway N.Y.C., LLC shall be applied as a credit against the payments due from, or released to, Philip Morris USA Inc.

7. If Washington settles its NPM Adjustment dispute for any year with another Participating Manufacturer on the terms more favorable to such Participating Manufacturer than the terms of this Settlement Agreement for such year, then the terms of this Settlement Agreement shall be revised so that PM USA will obtain the terms that are as favorable as those obtained by such other Participating Manufacturer for such year.

8. Effective upon the implementation of the DPA releases and settlement credits set forth above, Washington and PM USA absolutely and unconditionally release and discharge

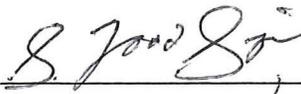
each other from any further Claims related to the April 2025 Washington Settlement Agreement between Washington and a group of Participating Manufacturers. For the avoidance of doubt, PM USA does not release, and specifically reserves, any Claims related to such Washington Settlement Agreement as against any of the Participating Manufacturers parties thereto.

9. The MSA Court for the State of Washington has exclusive jurisdiction over disputes arising out of this Settlement Agreement, provided that the Parties to this agreement must endeavor to resolve any such disputes in good faith, including mandatory mediation, before seeking recourse from the MSA Court. Entire Agreement (Section XVIII(y)) and Governing Law (Section XVIII(n)) provisions of the MSA apply to this Settlement Agreement as if fully set forth herein.

10. PM USA and Washington acknowledge and agree that this Settlement Agreement constitutes a negotiated resolution of disputes related to the applicability of the NPM Adjustments pursuant to the MSA. PM USA and Washington further acknowledge and agree that this Settlement Agreement provides for a selection of certain options available to the parties under the MSA, that the MSA remains fully binding on them, and that this Settlement Agreement does not amend the MSA or affect the application of any of its terms.

State of Washington

By its attorney,
Attorney General Nicholas W. Brown:by

By: , Assistant Attorney
(General)

Name: STEPHEN TODD SIPE

Date: OCTOBER 30, 2025

**Philip Morris USA Inc. and
Sherman's 1400 Broadway, N.Y.C., LLC**

By its attorney:

By: 

Name: Alexander Shaknes

Date: October 30, 2025