

EXHIBIT 1

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS

WAYNE MINER and JAMES EASLEY,
individually and on behalf of all others
similarly situated,

Plaintiffs,

v.

PHILIP MORRIS USA, INC., a corporation,

Defendants.

CLASS ACTION

Case No.: 60CV03-4661

STIPULATION OF SETTLEMENT

Subject to approval of the Court and to the other terms and conditions set forth herein, this Stipulation of Settlement¹ is made and entered into by and among (a) Wayne Miner and James Easley, individually and on behalf of each Member of the Class of all other persons similarly situated (“Plaintiffs”), (b) Class Counsel, and (c) Philip Morris USA Inc. (“Philip Morris” or “Defendant”). In consideration of the agreements, promises and covenants set forth herein, and subject to the approval of the Court pursuant to Arkansas Rule of Civil Procedure 23(e), this Action and all of the Released Claims shall be fully, finally and forever resolved, discharged and settled on the following terms and conditions:

I. THE LITIGATION

Wayne Miner and James Easley, individually and on behalf of each Member of the Class of all other persons similarly situated, are the named Plaintiffs in this action against Philip Morris. This action arises from Plaintiffs’ allegations that, among other things, during the Class Period Philip Morris engaged in the practice of marketing and selling its Marlboro Lights and Marlboro

¹ As used herein, unless the context otherwise requires, capitalized terms have the meanings ascribed to them in Section 5.A. hereof. This document may also be referenced as the Settlement Stipulation or Settlement Agreement.

Ultra-Lights cigarettes (collectively “Lights”) as “Lights,” “Ultra Lights,” “lower tar and nicotine,” “low tar and nicotine.” Plaintiffs allege that Defendant falsely represented that Lights were less harmful and that they delivered lower tar and nicotine in comparison to regular Marlboro cigarettes when in fact Lights do not deliver lower tar and nicotine than regular Marlboro cigarettes when actually smoked. Plaintiffs contend that Lights cigarettes are no less harmful, and might actually be more dangerous, than regular Marlboro cigarettes. Plaintiffs’ Second Amended Class Action Complaint asserts that Philip Morris’s conduct constitutes a violation of the Arkansas Deceptive Trade Practices Act, Ark. Code Ann. §§ 4-88-101 to -115 (the “ADTPA”), and claims that Plaintiffs and Class Members are entitled to, among other things, benefit of the bargain damages, equal to the value of the cigarettes delivered compared to the value of the cigarettes as promised. Plaintiffs’ Second Amended Class Action Complaint also asserts a cause of action for unjust enrichment. Among other things, Plaintiffs sought recovery of economic damages related to the purchase of Marlboro Lights and Marlboro Ultra Lights cigarettes during the Class Period. Plaintiffs have not pursued any claims on behalf of Plaintiffs or any Class Member for actual damages suffered as a result of that person’s addiction, personal injury or any health-related illness resulting from that person smoking Marlboro Lights or Ultra Lights cigarettes. Philip Morris rejects Plaintiffs’ contentions both as to liability and damages and rejects other allegations in the Complaint.

By Order dated November 8, 2013, the Court certified Plaintiffs’ ADTPA claims under Rule 23 of the Arkansas Rules of Civil Procedure for a Class consisting of all individuals who purchased Marlboro Lights or Marlboro Ultra Lights cigarettes in Arkansas for personal consumption from November 1, 1971 through June 22, 2010, and denied certification of Plaintiffs’ unjust enrichment claims. On February 26, 2015, the Arkansas Supreme Court affirmed the Pulaski County Circuit Court’s order of certification with respect to Plaintiffs’ ADTPA claims on

behalf of a Class consisting of purchasers of Marlboro Lights or Marlboro Ultra Lights cigarettes in Arkansas from November 1, 1971 through June 22, 2010.

On May 18, 2015, the Court approved a form and procedure for notifying the Class of the pendency of this class action and affording Class Members an opportunity to opt out of the Class. Such notice of the pendency of this class action and opportunity to opt out was provided to the Class in 2015, via publication in newspapers and magazines, through radio announcements and through an informational website and sponsored search listings on the internet. Only two Class Members elected to opt out of the Class.

The Court has granted Philip Morris's Motion for Summary Judgment by Order dated June 22, 2016, ruling that Class Members who purchased Marlboro Lights or Marlboro Ultra Lights after May 29, 2003 to the present had constructive knowledge of the allegations of deceptive actions by Philip Morris and therefore, have no valid cause of action against Philip Morris and are not entitled to recover any damages for purchases occurring after May 29, 2003.

II. PLAINTIFFS' STATEMENT OF THE STATUS OF THE LITIGATION

Former Plaintiff Loretta Lawson commenced this class action against Philip Morris USA Inc. and Altria Group, Inc. in Pulaski County Circuit Court on April 18, 2003. Plaintiff Wayne Miner commenced a separate class action against Philip Morris and Altria Group, Inc. in Franklin County Circuit Court on December 29, 2004. On April 15, 2010, Plaintiffs Wayne Miner and James Easley filed a Second Amended Class Action Complaint against PM USA and Altria Group, Inc. in this Action and in this Court. The Plaintiffs' Franklin County action was voluntarily dismissed on May 7, 2010. On December 19, 2011, the Court entered a Stipulation and Order of Dismissal dismissing Altria Group, Inc. from this case without prejudice.

This Action has been fiercely litigated since it was filed. Philip Morris has twice removed the case to federal court, and both times Plaintiffs successfully fought to have the case returned to

Arkansas state court. The first removal proceeded all the way to the United States Supreme Court, and remand occurred only after the United States Supreme Court concluded that Philip Morris was not entitled to “federal actor” removal. *See Watson v. Philip Morris Cos.*, 551 U.S. 142 (2007). Philip Morris later removed the lawsuit again, and during briefing on remand was able to persuade the Judicial Panel for Multidistrict Litigation to transfer this suit to MDL proceedings pending in Maine. Plaintiffs once again achieved remand by virtue of an order entered by the United States District Court for the District of Maine. *In re: Light Cigarettes Mktg. Sales Practices Litig.*, 751 F. Supp. 2d 205 (D. Me. 2010).

Once back in Arkansas, Plaintiffs successfully moved for certification of the Class of people who purchased Marlboro Lights and Marlboro Ultra Lights in the State of Arkansas during the Class Period. Philip Morris appealed the resulting order to the Arkansas Supreme Court, which ultimately affirmed the order granting the motion for certification. *Philip Morris Cos. v. Miner*, 2015 Ark. 73 (2015). The parties have engaged in merits discovery since that time, and Class Counsel represents that it has undertaken activities including, but not limited to: (a) inspection of documents obtained from non-parties; (b) review of documents and information produced by the parties during discovery; (c) consultation with prospective witnesses, including numerous expert witnesses; (d) review of documents to determine liability and damage issues; (e) research of the applicable law with respect to the claims asserted in the Litigation and the defenses raised by Philip Morris; (f) preparation of and responding to numerous motions, including motions for summary judgment; (g) depositions of numerous witnesses; (h) focus group analysis of claims; and (i) preparation for trial set to begin on August 2, 2016.

On May 17, 2016, counsel to PM USA and Class Counsel participated in mediation as ordered by the Court with James W. Tilley as mediator and continued to engage in mediation discussions thereafter, including at an in person session on July 26, 2016, ultimately resulting in a

binding Memorandum of Understanding signed by the Parties on July 28, 2016 and submitted to the Court during the hearing in this matter on July 29, 2016.. These discussions have included conversations concerning liability and damage issues underlying Plaintiffs' and Class Members' claims. All parties have had the benefit of the mediator's input in arriving at this settlement. The Parties engaged in arms' length negotiations and reached the resolution set forth herein.

Plaintiffs and Class Counsel have considered the benefits to the Class that will be received as a result of this settlement, and the potential benefits, costs, uncertainties, and risks of further litigating this matter, and have concluded that this settlement is fair, reasonable, adequate, and in the best interests of the Class, subject to the terms and conditions set forth herein.

This Litigation is currently pending before the Circuit Court of Pulaski County, Arkansas.

III. DEFENDANT'S DENIAL OF WRONGDOING AND LIABILITY

Defendant has vigorously denied and continues to vigorously deny each and all of the claims and contentions alleged by Plaintiffs and the Class, including all claims concerning Defendant's conduct, as well as the contention that such conduct constitutes wrongdoing or gives rise to legal liability. Defendant denied and continues to deny Plaintiffs' allegations, including that its use of the terms "Lights," "Ultra Lights," "Lowered Tar and Nicotine" and "Low Tar and Nicotine" were misleading, that its conduct was unconscionable and deceptive under Ark. Code Ann. § 4-88-107, that its conduct resulted in actual damages under the ADTPA or unjust enrichment, and that the lawsuit was appropriate for class action treatment. The Parties agree that neither this Settlement Stipulation nor any document referred to herein, nor any action taken to carry out this Settlement Stipulation is, may be construed as, or may be used as evidence of, an admission or concession on the part of Defendant with respect to any claims, potential claims or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Defendant has asserted or intended to assert in this Action.

Defendant has successfully defended similar litigation in Missouri (currently on appeal), Illinois, Hawaii, California, Maine, Ohio, New Hampshire, the District of Columbia, Michigan, Louisiana, Washington, Wisconsin, New Jersey, Arizona and Oregon, where the Class received zero recovery. Defendant denies all wrongdoing and liability.

Nonetheless, Defendant wishes to settle and compromise the Action to avoid further substantial expense and the inconvenience and distraction of protracted and burdensome litigation. Defendant also has taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Action. Defendant has, therefore, without conceding any infirmity in the defenses that it has asserted or could assert in this Action, determined that it is desirable and beneficial that the Action be settled in the manner and upon the terms and conditions set forth in this Settlement Stipulation.

IV. CLAIMS OF THE PLAINTIFFS AND BENEFITS OF SETTLEMENT

Plaintiffs and Class Counsel believe that the claims asserted in the Litigation have merit and that the information obtained by Class Counsel supports the claims asserted. Plaintiffs and Class Counsel nonetheless recognize that there are significant risks, uncertainties, and expenses in proceeding with the Litigation through trial, and any appeals. Plaintiffs and Class Counsel believe that, in the present circumstances of the Litigation, the settlement set forth in this Settlement Stipulation confers substantial benefits upon the Class and each Member of the Class. Based upon their evaluation, Plaintiffs and Class Counsel have determined that the settlement set forth in this Settlement Stipulation is in the best interests of Plaintiffs and the Class and each of the Members of the Class, subject to the terms and conditions now set forth.

V. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

IT IS HEREBY STIPULATED AND AGREED by and among the Plaintiffs (for and on behalf of themselves and each of the Members of the Class), Class Counsel, and the Defendant,

subject to the approval of the Court and other conditions set forth herein, that the Released Claims shall be finally and fully compromised, settled, and released, and the Released Claims shall be dismissed with prejudice and without costs or fees as to any settling Party, upon and subject to the terms and conditions of this Settlement Stipulation, as follows.

A. Definitions

As used in this Settlement Stipulation, the following terms have the meanings specified below:

1. “Action” means the civil action originally captioned *Lawson v. Philip Morris Companies, Inc.*, 60CV03-4661 (filed April 18, 2003), and any other similar action brought by the Plaintiffs or any Class Member or for Plaintiffs or any Class Member based on the purchase of Marlboro Lights or Marlboro Ultra Lights cigarettes in the State of Arkansas, including Plaintiffs’ Prior Action.

2. “Arkansas Class Counsel” means Thomas P. Thrash, Thrash Law Firm, P.A.

3. “Available Funds” shall mean \$45,000,000 less the Court approved costs of administration, Class Representative fees, attorneys’ fees and litigation costs.

4. “Benefit” shall mean a Class Member’s right to participate in the Settlement by submitting a valid Claim Form for 10 cents per pack for each pack purchased between April 19, 2003 and June 22, 2010; 25 cents per pack for each pack purchased between April 18, 1998 and April 18, 2003; and 10 cents per pack for each pack purchased between November 1, 1971 and April 17, 1998. If the total claims exceed the available funds, the claims will be prorated and paid based on the total valid claims received. If the total claims are less than the Available Funds, the claims may be increased proportionately. In addition to the cash benefit paid to each Class Member who submits a valid claim, all attorneys’ fees and litigation costs, Class Representatives’ fees and administrative costs of settlement will be paid from the Settlement Fund. Defendant has

not participated in and takes no position with respect to the determination of the specific amounts that comprise this definition of the term “Benefits” and/or any of the amounts to be paid from the Settlement Fund. Plaintiffs claim a benefit to the Class by being a part of the investigation and litigation ultimately resulting in Philip Morris taking Marlboro Lights and Marlboro Ultra Lights off the market. Defendant does not by signing this document agree to this contention on Plaintiffs’ part.

5. “Claim Form” means the claim form that will be submitted by Class Members seeking to obtain a share of the Settlement Fund and which will be in a form proposed by Plaintiffs and approved by the Court. A copy of the Claim Form recommended by the Mediator and proposed by Class Counsel, subject to the approval of the Court, is attached as Exhibit “E.”

6. “Claims Administrator” means Hilsoft Notifications, Inc., the entity designated by the Class Counsel, subject to the Court’s approval, to provide services in connection with Notice to Class Members, provide Class Members with Notice and Claim Forms, process Claim Forms, administer the claims submitted by Class Members and distribute the Available Funds to the Class Members.

7. “Class” means:

All persons who purchased Defendant’s Marlboro Light or Marlboro Ultra Light cigarettes in Arkansas for personal consumption from November 1, 1971 through June 22, 2010. Excluded from the Class are Defendant, any parents, subsidiary, affiliate, or controlled person of Defendant, as well as the officers, directors, agents, servants, or employees of Defendant, and the immediate family members of such persons.

8. “Class Action” or “Litigation” means this action, captioned *Wayne Miner and James Easley, Individually, and on behalf of all others similarly situated v. Philip Morris Companies, Inc. and Philip Morris, Incorporated*, Case No. CV 2003-4661, Circuit Court of Pulaski County, Arkansas, and all of the claims asserted herein.

9. "Class Counsel" means the law firms approved by the Court to serve as counsel for the Class, which are the following firms:

Thomas P. Thrash
Marcus N. Bozeman
THRASH LAW FIRM, P.A.
1101 Garland Street
Little Rock, AR 72201

Joe J. Fisher, II
Guy Fisher
W. Michael Hamilton
PROVOST UMPHREY LAW FIRM, LLP
490 Park Street
Beaumont, TX 77704

John Eddie Williams, Jr.
Edwin Armistead Easterby
Brian Abramson
Sean McCarthy
WILLIAMS, KHERKHER
HART, BOUNDAS, LLP
8441 Gulf Freeway, Suite 600
Houston, TX 77017

Dewitt M. Lovelace
LOVELACE & ASSOCIATES
12879 Hwy. 98 West, Suite 200
Miramar Beach, FL 32550
Chicago, IL 60602

Hank Bates
Randy Pulliam
CARNEY, WILLIAMS, BATES,
PULLIAM & BOWMAN, PLLC
11311 Arcade Drive, Suite 200
Little Rock, AR 72212

John W. "Don" Barrett
DON BARRETT, P.A.
404 Court Square North
P.O. Box 927
Lexington, MS 39095

Ben Barnow
Erick Schork
BARNOW & ASSOCIATES, P.C.
1 N. LaSalle Street, Suite 4600
Chicago, IL 60602

The term "Class Counsel" as used herein shall also include the current, former, or future partners, and employees.

10. "Class Member" or "Member of the Class" means a Person who falls within the definition of the Class as set forth herein and each of those persons' current, former or future heirs, estates, assigns and agents.

11. "Class Period" means the period commencing November 1, 1971 through June 22, 2010, inclusive.

12. "Costs of Notice and Administration" means costs and expenses actually incurred in connection with providing Settlement Notice to the Class, administering, and distributing Benefits to the Members of the Class. Notice and Administration of the Settlement shall be the exclusive responsibility of the Claims Administrator in cooperation with Plaintiffs and Defendant shall have no such responsibility.

13. "Court" means the Arkansas Circuit Court of Pulaski County, Arkansas.

14. "Defendant" means Philip Morris USA Inc.

15. "Effective Date" means the first business day after the Judgment becomes Final.

16. "Escrow Agent" means the escrow agent selected by Class Counsel and Defendant to hold and then disburse the Settlement Fund pursuant to the terms of the Escrow Agreement.

17. "Escrow Agreement" means the Escrow Agreement to be negotiated and agreed to by the Parties, pursuant to which the Escrow Agent will hold and then disburse the Settlement Fund.

18. "Final" with respect to a judgment or order means that the judgment or order as entered on the docket by the Court in this Action has not been reversed, stayed, modified, or amended, and also either: (1) the time to appeal under the Arkansas Rules of Civil Procedure has expired and no appeal, further appeal or motion to extend the time for filing an appeal has been timely filed, or (2) any appeal has been resolved by the highest court to which it was appealed in a manner upholding or affirming the judgment in full and without qualification.

19. "Judgment" means the Judgment to be entered by the Circuit Court of Pulaski County, Arkansas, substantially in the form attached hereto as Exhibit "B," Final Judgment Order. The Judgment shall dismiss with prejudice the Released Claims.

20. "Mediator" means Jim Tilley, WATTS, DONOVAN, and TILLEY, P.A., 200 River Market Avenue, Suite 200, Little Rock, Arkansas 72201-1769.

21. "Party" means Defendant, the Plaintiffs (on behalf of themselves and each of the Members of the Class), or Class Counsel, and "Parties" means, collectively, Defendant, the Plaintiffs (on behalf of themselves and each of the Members of the Class) and Class Counsel.

22. "Person" means a living individual, or their attorney or lawfully appointed executor or administrator.

23. "Plaintiffs" means Wayne Miner and James Easley, individually and on behalf of each of the Members of the Class and each of their respective current, former or future heirs, estates, attorneys, assigns and agents.

25. "Preliminary Approval" means the entry of Exhibit "A," Preliminary Approval Order.

26. "Released Claims" means all claims, demands, rights, liabilities, obligations, actions, and causes of action of every nature and description whatsoever, including but not limited to any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses, or liability whatsoever, whether statutory, regulatory, in law, in equity or otherwise, whether contract, tort or otherwise, whether or not concealed or hidden, known or unknown (including "Unknown Claims," as defined in ¶ 30), fixed or contingent, accrued or unaccrued, liquidated or unliquidated, domestic or foreign, by or on behalf of the Class Members or Class Counsel against any of the Released Persons, whether or not alleged in the Action, that concern, arise out of, refer to, are based upon, or relate in any way to Marlboro Lights or Marlboro Ultra-Lights cigarettes purchased in the State of Arkansas or any of the allegations, transactions, facts, matters, occurrences, representations, statements, or omissions which were set forth or referred to in the Action. Released Claims do not include any claims of any Party to enforce the terms of this Settlement Stipulation or the exhibits thereto, including the right of Class Counsel to seek attorneys' fees as provided for in this Stipulation of Settlement. For

purposes of clarity, Released Claims do not include any claims by the Plaintiffs or any Class Member for actual damages suffered as a result of that person's addiction, personal injury or any health-related illness resulting from that person smoking Marlboro Lights or Ultra Lights cigarettes.

27. "Released Persons" means Defendant and any and all of Defendant's current, former and future officers, directors, employees, managers, members, fiduciaries, agents, legal counsel, advisors, consultants, insurers, reinsurers, accountants, auditors, trustees, underwriters, commercial bank lenders, investment bankers, associates, representatives, affiliates, parents (including but not limited to Altria Group, Inc.), subsidiaries, partnerships, member firms, partners, joint ventures, limited liability companies, corporations, divisions, shareholders, principals, trusts, foundations, beneficiaries, distributors, heirs, executors, estates, administrators, predecessors, successors and assigns, and their respective former, current and future direct or indirect equity holders, controlling persons, stockholders, general or limited partners or partnerships, or assignees and including, but not limited to, any directors, officers, agents, partners, members, managers or employees of any of the foregoing.

28. "Settlement Fund" means the \$45 Million to be paid by Philip Morris as consideration for Settlement.

29. "Settlement Stipulation" and "Stipulation of Settlement" means this Stipulation of Settlement and the Supplemental Agreement referred to in paragraph V.G.7.

30. "Unknown Claims" means any Released Claim which any of the Class Members or Class Counsel does not know or suspect to exist in his, her or its favor at the time of the Releases set forth in this Settlement Stipulation, which, if known by him, her or it, would or might have affected his or her decision not to object to this Settlement and/or to enter into this Settlement. Any of the Class Members or Class Counsel may hereafter discover facts in addition to or different

from those which he or she now knows or believes to be true with respect to the subject matter of the Released Claims, but the Class Members and Class Counsel shall expressly, upon the Effective Date, be deemed to have, and by operation of the Final Judgment shall have fully, finally and forever settled and released any and all Released Claims (including Unknown Claims, as defined herein), known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, based in whole or in part upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs, the Class Members, Class Counsel and Defendant acknowledge, and each of the Plaintiffs, the Class Members and Class Counsel by operation of law shall be deemed by operation of the Final Judgment to have further acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a key element of the Settlement, of which the release set forth in paragraph 26 hereof is a material and essential part, and each of the Plaintiffs, the Class Members and Class Counsel expressly waive the benefits of any provision or rights conferred by any law of any state or territory of the United States, or principle of common law, which provides that a general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

B. Class Benefits

1. The Plaintiffs claim the total value of the benefits to the Class exceeds \$45 million. Class Benefits include the \$45 million Settlement Fund. The \$45 million Settlement Fund will be used to pay any and all (1) Settlement Benefits to Class Members, (2) costs of administration of the Settlement, (3) attorneys’ fees and litigation costs, and (4) Class Representative fees. In

addition to the cash benefits to the Class, Class Counsel represents that Plaintiffs have benefited the Class through investigations and litigation activity, which they claim were instrumental in the removal of Marlboro Lights and Marlboro Ultra Lights from the market, such that the total value of the benefits to the Class exceeds \$45 million.

C. Discovery

1. The Parties acknowledge that Class Counsel has conducted discovery, which Class Counsel represents to consist primarily of: (a) inspection of documents obtained from non-Parties; (b) review of documents and information provided by Defendant, including depositions of Defendant's employees; (c) consultation with prospective witnesses and expert witnesses; (d) depositions of witnesses; (e) research of Arkansas and general law regarding the issues; and (f) preparation for trial..

D. Preliminary Approval Settlement Hearing

1. As soon as is practicable following the execution of this Settlement Stipulation, Plaintiffs shall move and Defendants shall either separately or in the same document join in seeking entry of an order (the "Preliminary Approval Order"), substantially in the form of Exhibit "A" attached hereto preliminarily approving the Settlement. The Preliminary Approval Order shall include: (a) preliminary approval of the settlement set forth in this Settlement Stipulation; (b) approval of the Settlement Notice to be provided to members of the Class as proposed by Hilsoft Notifications – Epiq Systems, Inc., substantially similar to the Class Certification Notice previously approved by the Court; and (c) determination that the notice given pursuant to subparagraph (b) above constitutes the best notice practicable in the circumstances, and constitutes valid, due, and sufficient notice to all Class Members, complying fully with the requirements of Rule 23 of the Arkansas Rules of Civil Procedure, the Constitution of the United States, and any other applicable law.

2. The Notice described in the preceding paragraph shall fully explain the Benefit set forth in Paragraph V.A.1 of this Settlement Stipulation, and specifically a Class Member's right and ability, within 90 days after the completion of Notice, to submit any valid claim. Plaintiffs alone are and shall be responsible for the determination of the amount of Benefit set forth in Paragraph V.A.1 of this Settlement Stipulation. Plaintiffs also alone are and shall be responsible for submitting the language to be used in the Notice and plan for distributing that Notice, the Claim Form and for obtaining the Court's approval of that language and distribution plan.

3. The Parties shall request that, after notice is given, the Court hold a hearing (the "Settlement Hearing") and finally approve the Settlement as set forth herein. If the Court approves the Settlement, Plaintiffs shall promptly move the Court for entry of the Judgment in the form attached hereto as Exhibit "B," Final Judgment Order.

E. Payment of Settlement Fund

1. In full satisfaction of the Released Claims, PM USA will pay as directed by the Plaintiffs and Class Counsel to or for the benefit of the Class Members and Class Counsel the sum of forty five million dollars and no cents (\$45,000,000), which amount shall constitute the Settlement Fund.

2. PM USA will pay the Settlement Fund to the Escrow Agent no later than fourteen (14) days after the date on which the Court enters the Judgment. The Escrow Agent shall hold and disburse the Settlement Fund in accordance with the terms of the Escrow Agreement. No later than seven (7) days after the Effective Date, Arkansas Class Counsel and Defendant shall jointly notify the Escrow Agent in writing that the Judgment has become Final. Upon receiving such notification, the Escrow Agent shall distribute the Settlement Fund as directed by the Court.

F. Releases

1. On the Effective Date, the Class Members, except for those Class Members who have requested exclusion from the Class, and Class Counsel shall be bound by this Settlement Agreement and shall have recourse exclusively to the benefits, rights and remedies provided hereunder. Each of the Class Members and each of the Class Counsel hereby covenants not to institute any action or suit at law or in equity against any Released Party, nor institute, prosecute or in any way aid in the institution or prosecution of any of the Released Claims. The Court shall award the prevailing party reasonable attorneys' fees in the event of an action alleging a breach of this covenant.

2. On the Effective Date, the Class Members and Class Counsel shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally and forever released, relinquished and discharged the Released Persons from any and all of the Released Claims.

G. Administration of Settlement

1. Administration of the Settlement shall be subject to the supervision, direction and approval of the Court. The administration of this Class Action Settlement shall be as provided in this Settlement Stipulation.

2. PM USA takes no position on the amount of Benefit, how the Settlement Fund will be distributed, how Claim Forms will be processed, on how the distribution of the Settlement Fund will occur, or on how the distribution of the Settlement Fund will be administered. PM USA also will play no role in and have no responsibility for any aspect of the Claim Forms process or the administration or distribution of the Settlement Fund. PM USA's sole responsibility with respect to the Settlement Fund will be to pay \$45,000,000 to the Escrow Agent as required under the terms of this Settlement.

3. Plaintiffs propose that the payment of the Settlement Benefits to the Class shall be on a claims made basis. To be eligible to receive a payment, each Class Member must submit a valid claim. The settlement payment will be equal to 10 cents per pack for each pack purchased between April 19, 2003 and June 22, 2010; 25 cents per pack for each pack purchased between April 18, 1998 and April 18, 2003; and 10 cents per pack for each pack purchased between November 1, 1971 and April 17, 1998. If the total claims exceed the Available Funds, the claims will be prorated and paid based on the total valid claims received. If the total claims are less than the Available Funds, the claims may be increased proportionately. If the Claim Form is not completed in its entirety, the Claim will be processed, but the available refund will be automatically reduced to the Claim Amount or \$50.00, whichever is less. PM USA has had and will have no involvement in the determination of the amounts or procedures set forth in this paragraph.

4. Plaintiffs propose that Notice to Class Members and the administration of the Notice shall be conducted by Hilsoft Notification. Notice shall be the best Notice practicable under the circumstances and shall constitute value, due and sufficient Notice to the Class, approved by the Court.

5. Under Plaintiffs' proposal, the Claims Administrator will receive the claims and provide all claim information to the Court appointed Masters ("Co-Masters"), with service of a copy on Class Counsel and, exclusively for informational purposes, counsel for PM USA, on a weekly basis. The Co-Masters will review the validity of all claims and will recommend the amount to be paid for each claim. The Co-Masters will first determine if the Claim Form is complete and if not, will determine if the claim will be reduced to \$50, due to the incomplete Claim Form. The Court appointed Co-Masters will determine the reasonableness of the claim and verify the information provided. The Co-Masters may require an evidentiary hearing on the validity of

any claim. The Court appointed Co-Masters, in reviewing the claims, may obtain additional information from the claimants and may determine an agreed upon claim amount, without the necessity for an evidentiary hearing. As determined by the Co-Masters, the claimants may be given the option of reducing their claim to an amount determined by the Co-Masters rather than requiring an evidentiary hearing. If the Co-Masters have any issues with the reasonableness or verification of the claim, the Co-Masters will refer the claim for an evidentiary hearing. The Co-Masters will determine the amount for each claimant and will submit their findings to the Court for final approval. The Co-Masters will set an evidentiary hearing and will hear testimony under oath and will receive evidence to determine the validity of the claim. In the event of an evidentiary hearing, the Court appointed Co-Masters shall oversee and be responsible for a determination of the validity of the Claim. The Co-Masters will make the final decision on any claim. Plaintiffs have proposed that Angie Hopkins with Frost & Co. shall serve as one of the Court appointed Co-Masters, responsible for all of the accounting aspects of the settlement administration. Plaintiffs have proposed that Allison Allred, Allred Law Firm, P.A., shall serve as one of the Court appointed Co-Masters, responsible for conducting any evidentiary hearings and responsible for preparing and submitting any and all Masters' reports to the Court.

6. Under Plaintiffs' proposal, the Court appointed Co-Masters will review the claims and approve the final payment of all claims. Upon the approval of the claims by the Court appointed Masters, the claims will be served on counsel for the Parties and submitted and reviewed and approved by the Court and thereafter Hilsoft Notifications shall be responsible for administering the payment of all approved claims.

7. If, before the Final Approval Hearing, any persons who otherwise would be Class Members have timely filed for exclusion from the Class in accordance with the provisions of the Order for Preliminary Approval and the notice given pursuant, and such Class Members

collectively are greater in number than the number of Class Members specified in a separate Supplemental Agreement between the Parties, Defendant shall have the option to terminate this Stipulation in accordance with the procedures set forth in the Supplemental Agreement. The Supplemental Agreement shall not be filed with the Court until fourteen (14) days after the deadline set by the Court for Class Members to request exclusion from the Class, and its terms shall not be disclosed before that time in any other manner (other than the statements herein and in the Notice, to the extent necessary, or as otherwise provided in the Supplemental Agreement) unless and until a dispute arises among the Parties concerning its interpretation or application. If submission of the Supplemental Agreement is required for resolution of such a dispute or is otherwise ordered by the Court prior to fourteen (14) days after the deadline for Class Members to request exclusion from the Class, the Parties will undertake to have the Supplemental Agreement submitted to the Court in camera. Copies of all requests for exclusion received and copies of all written revocations of requests for exclusion received shall be sent to counsel for the Parties within three (3) days of receipt by the Claims Administrator.

8. Defendant takes no position on how the Settlement Fund should be disbursed other than as set forth in this Agreement and in the Supplemental Agreement referred to in paragraph V.G.7 but under no circumstance shall the Settlement Fund be used in any manner that would disparage PM USA.

H. Class Counsel's Attorneys' Fees and Reimbursement of Expenses; and Class Representatives' Fees

1. Any award of attorneys' fees and expenses shall be paid out of the Settlement Fund. The award of attorneys' fees and expenses shall be subject to the recommendation of the mediator and subject to the final approval of the Court. With notice to counsel for the Parties, a hearing for approval of the attorneys' fees and expenses for Class Counsel shall be held after the end of the period for filing claims. Payment of the Court approved attorneys' fees and expenses shall be

made exclusively from the Settlement Fund and within 10 days of the Effective Date. No attorneys' fees for any attorneys other than Class Counsel, as identified in Paragraph V.A.9 of this Stipulation of Settlement, shall be paid from the Settlement Fund. Defendant shall not be responsible for the payment of attorneys' fees under any circumstances, other than as awarded by the Court to be paid from the Settlement Fund.

2. Plaintiffs shall request an award of Class Representatives' fees. The award of any Class Representatives' fees shall be subject to the recommendation of the mediator and subject to the final approval of the Court. With notice to counsel for the Parties, a hearing for approval of the Class Representatives' fees shall be held after the end of the period for filing claims. Payment of the Court approved Class Representatives' fees shall be made exclusively from the Settlement Fund and within 10 days of when the Court approves the payment.

I. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

1. The Effective Date of this Settlement Stipulation shall be conditioned on the occurrence of the following events: (a) the Court's entry of the Preliminary Approval Order substantially in the form of Exhibit "A"; (b) the Court's entry of Judgment substantially in the form of Exhibit "B"; (c) the Judgment shall have become Final; (d) Philip Morris USA Inc. shall have paid the Settlement Fund to the Escrow Agent as set forth in the first sentence of paragraph E(2) of this Settlement Stipulation.

2. If, for any reason, the Court fails to grant final approval to this Settlement or to enter the Final Order and Judgment, or if the Final Order and Judgment is reversed or rendered void in any material respect as a result of an appeal, then either Plaintiffs or Defendant, at its sole discretion, may terminate this Settlement Agreement by providing written notice of that Party's intent to terminate the Settlement to the other Party within fourteen (14) days of such triggering event.

3. If as a condition of preliminary approval or final approval of the Settlement Agreement the Court orders any material modification to the Settlement Agreement that has not been previously agreed to by the Plaintiffs or Defendant, then the Plaintiffs or Defendant, and each of them, shall have the option to terminate the Settlement Agreement if they are not willing to accept any such modification, by providing written notice of intent to terminate the Settlement to the other Party within fourteen (14) days of such triggering event.

4. If the Settlement is terminated by either Plaintiffs or Defendant pursuant to the provisions of this Agreement, then the Settlement Agreement shall be null and void and of no force and effect, and, if already paid, the \$45,000,000 Settlement Fund shall be returned to Defendant, and all Parties to this Settlement Agreement shall be returned to the status quo ante, and stand in the same position, without prejudice, as if the Settlement Agreement had never been entered into nor filed with the Court, with all rights that existed prior to entering the Settlement Agreement being preserved.

J. Miscellaneous Provisions

1. Neither this Stipulation and Agreement of Settlement nor the settlement contained herein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation and Agreement of Settlement or the settlement (i) is or may be deemed to be or may be used as an admission of, or evidence, of, the validity of any Released Claim, or of any wrongdoing or liability of the Released Persons, or (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Released Persons in any civil, criminal, or administrative proceeding in any court, administrative agency or other tribunal. Released Persons may file the Stipulation and Agreement of Settlement and/or the Final Order and Judgment from this action in any other action that may be brought against them by any of the Class Members or Class Counsel in order to support a defense or counterclaim based on

principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar, or reduction or any theory of claim preclusion or issue preclusion or similar defense or counterclaim. No party may file the Supplemental Agreement referred to in paragraph V.G.7 except as provided under the terms of that paragraph and the Supplemental Agreement.

2 Nothing in this Stipulation and Agreement of Settlement, or the negotiations relating thereto, is intended or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, attorney/client privilege, joint defense privilege, or work product immunity.

3. This Agreement, including the Exhibits referred to and incorporated herein by reference, which form an integral part hereof, and the Supplemental Agreement referred to in paragraph V.G.7 contain the entire understanding of Plaintiffs, Class Counsel and the Released Persons, in respect of the subject matter contained herein. Plaintiffs and Class Counsel acknowledge and agree that they have relied on the results of their own independent investigation and any provisions expressly and specifically set forth in this Agreement and the Supplemental Agreement referred to in paragraph V.G.7. Plaintiffs and Class Counsel further acknowledge and agree that the Released Persons have not made any promises, representations, warranties, covenants or undertakings governing the subject matter of this Agreement other than those expressly set forth in this Agreement and the Supplemental Agreement referred to in paragraph V.G.7.

4. This Stipulation of Settlement may not be changed, altered or modified, except in a writing signed by or, with full authority, on behalf of the Released Persons, Plaintiffs and Class Counsel and approved by the Court. In the event that there exists a conflict or inconsistency between the terms of this Stipulation of Settlement and the terms of any Exhibit thereto, the terms of this Stipulation of Settlement shall prevail.

5. This Agreement and the Supplemental Agreement referred to in paragraph V.G.7 supersede all prior agreements and understandings among any of the Parties with respect to any matters relating to the Action, the settlement of the Action, the Released Claims, and/or any of the matters specified herein, including but not limited to the Memorandum of Understanding signed on July 28, 2016, and submitted as part of the record in the Action at the hearing held July 29, 2016. Any prior agreements between the Parties, written or oral, express or implied, however denominated, are hereby cancelled and rendered null and void as of the date hereof, with no further obligation due thereon.

6. Class Counsel represents that it has authority to sign this binding Stipulation and Agreement of Settlement on behalf of the Class, Class Members, and on behalf of all counsel who represent or have represented the Class or Class Members, including but not limited to Class Counsel. Class Counsel further represents that it is expressly authorized to take all appropriate action required or permitted to be taken by the Class or Class Members pursuant to the Stipulation and Agreement of Settlement to effectuate its terms and also is expressly authorized to enter into any modifications or amendments to the Stipulation and Agreement of Settlement on behalf of the Class or Class Members that it deems appropriate

7. Each counsel or other Person executing the Settlement Stipulation or any of its Exhibits on behalf of any Party hereby warrants that such Person has the full authority to do so.

8. The Settlement Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. Counsel for Plaintiffs and Defendant shall exchange among themselves original signed counterparts and a complete set of original executed counterparts shall be filed with the Court.

9. The Settlement Stipulation shall be binding upon, and inure to the benefit of, the Parties hereto, all Class Members, the Released Persons, and, as to each of the foregoing, each of

the respective heirs, executors, administrators, successors, and assigns, and upon any corporation or other entity into or with which any Party hereto may merge or consolidate.

10. Plaintiffs, Class Counsel and the Released Persons agree that the terms and conditions of this Settlement Agreement are the result of arms-length negotiations between them and that this Settlement Agreement shall not be construed in favor or against any of them by reason of the extent to which any of them, or their counsel, participated in the drafting of this Settlement Agreement.

11. To the extent permitted under applicable law, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition set forth herein may be expressly waived in writing, by the Party or Parties entitled to the benefit of such obligation, covenant, agreement or condition. A waiver or failure to insist upon strict compliance with any representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

12. The Court shall retain jurisdiction with respect to the implementation and enforcement of the terms of the Settlement Stipulation, and all Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Settlement Stipulation.

13. The Settlement Stipulation, and the Exhibits hereto shall be considered to have been negotiated, executed, and delivered, and to be wholly performed, in the State of Arkansas, and the rights and obligations of the Parties to the Settlement Stipulation, shall be construed and enforced in accordance with the laws of the State of Arkansas, without giving effect to that State's choice of law principles.

14. Any notice to any Party that is required under this Settlement Agreement, or the Exhibits hereto, must be provided in writing as follows:

- a. If to any of the Class Members or Class Counsel, by giving notice to:

Thomas P. Thrash
THRASH LAW FIRM, P.A.
1101 Garland Street
Little Rock, AR 72201

- b. If to any of the Released Persons, by giving notice to:

John C. Massaro
ARNOLD & PORTER LLP
601 Massachusetts Ave., NW
Washington, DC 20001-3743

IN WITNESS WHEREOF, the Parties have caused this Settlement Stipulation to be executed this _____ day of August, 2016.

By:


Plaintiff Wayne Miner

Plaintiff James Basley

PLAINTIFFS

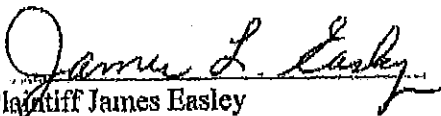
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Marcus N. Bozeman, ABN #99287
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Hank Bates, ABN #98063
Randy Pulliam ABN #98105
J. Allen Carney ABN #
CARNEY WILLIAMS BATES
PULLIAM & BOWMAN, PLLC
11311 Arcade Dr., Suite 200
Little Rock, AR 72212
501-312-8500 - Telephone
501-312-8505 - Facsimile

IN WITNESS WHEREOF, the Parties have caused this Settlement Stipulation to be executed this _____ day of August, 2016.

By:

Plaintiff Wayne Miner


Plaintiff James Easley

PLAINTIFFS

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Marcus N. Bozeman, ABN #95287
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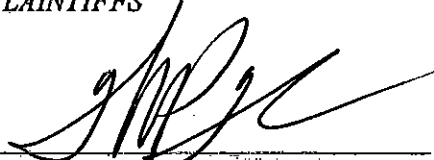
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By:


Plaintiff Wayne Miner

Plaintiff James Basley

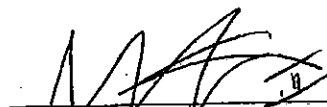
PLAINTIFFS



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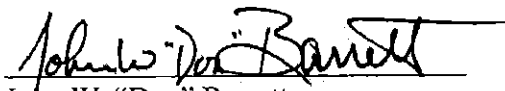
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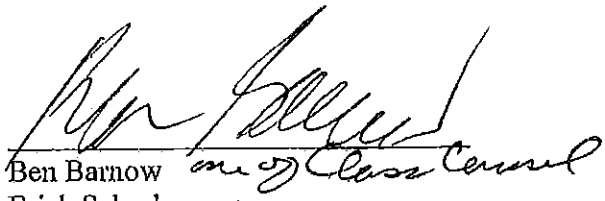
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Attorneys for Defendant Philip Morris USA Inc.

By: John C. Massaro

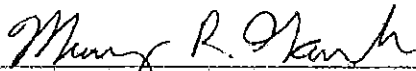
Date

PHILIP MORRIS USA INC.

By:

Date

PHILIP MORRIS USA INC.


By: Murray R. Garnick

August 15, 2016

Senior Vice President & Associate General Counsel
Altria Client Services LLC, on behalf of Philip Morris USA Inc.

ARNOLD & PORTER LLP

Attorneys for Defendant Philip Morris USA Inc.


By: John C. Massaro

August 15, 2016