
AGREEMENT MADE AS OF APRIL 13, 2010 Amongst

Her Majesty in Right of Canada as represented by The Minister of National Revenue

And

The Minister of Revenue of Quebec, as represented by the Deputy Minister of Revenue

And

Her Majesty in Right of Ontario as represented by the Attorney General of Ontario

And

Her Majesty in Right of Nova Scotia as represented by the Attorney General of Nova Scotia

And

Her Majesty in Right of New Brunswick as represented by the Minister of Finance

And

Her Majesty in Right of Manitoba as represented by the Minister of Finance

And

Her Majesty in Right of British Columbia as represented by the Attorney General of British Columbia

And

Her Majesty in Right of Prince Edward Island as represented by the Attorney General for Prince Edward Island

And

Her Majesty in Right of Saskatchewan as represented by the Minister of Finance

And

Her Majesty in Right of Alberta as represented by the Minister of Finance and Enterprise

And

Her Majesty in Right of Newfoundland and Labrador as represented by the Minister of Finance; the Minister of Justice and Attorney General and the Minister for Intergovernmental Affairs

And

The Government of The Northwest Territories, as represented by the Minister of Finance

And

The Government of Yukon, as represented by The Minister of Finance

And

The Government of Nunavut, as represented by The Minister of Finance

THIS AGREEMENT RESPECTING CERTAIN FUNDS RECEIVED FROM JTI-Macdonald Corp., R.J. Reynolds Tobacco Company, Northern Brands International Inc., or on their behalf, (the “Agreement”) is made as of April 13, 2010

AMONGST

Her Majesty in Right of Canada as represented by The Minister of National Revenue (hereinafter “Canada”)

and

The Minister of Revenue of Quebec, represented by the Deputy Minister of Revenue (hereinafter “Quebec”)

and

Her Majesty in Right of Ontario as represented by the Attorney General of Ontario (hereinafter “Ontario”)

and

Her Majesty in Right of Nova Scotia as represented by the Attorney General of Nova Scotia (hereinafter “Nova Scotia”)

and

Her Majesty in Right of New Brunswick as represented by the Minister of Finance (hereinafter “New Brunswick”)

and

Her Majesty in Right of Manitoba as represented by the Minister of Finance (hereinafter “Manitoba”)

and

Her Majesty in Right of British Columbia as represented by the Attorney General of British Columbia (hereinafter “British Columbia”)

and

Her Majesty in Right of Prince Edward Island as represented by the Attorney General for Prince Edward Island (hereinafter “Prince Edward Island”)

and

Her Majesty in Right of Saskatchewan as represented by the Minister of Finance (hereinafter “Saskatchewan”)

and

Her Majesty in Right of Alberta as represented by the Minister of Finance and Enterprise (hereinafter “Alberta”)

and

Her Majesty in Right of Newfoundland and Labrador as represented by the Minister of Finance; the Minister of Justice and Attorney General and the Minister for Intergovernmental Affairs (hereinafter “Newfoundland and Labrador”)

and

The Government in Right of the Northwest Territories as represented by the Minister of Finance (hereinafter “Northwest Territories”)

and

The Government in Right of Yukon, as represented by the Minister of Finance (hereinafter “Yukon Territory”)

and

The Government of Nunavut, as represented by the Minister of Finance (hereinafter “Nunavut Territory”)

(the “Provinces and Territories” and collectively with Canada, the “Governments”).

WHEREAS

1. During the period from January 1, 1985 to December 31, 1999 (“the Material Time”):
 - (a) Canada imposed excise duties, federal taxes and customs duties on cigarettes, cigars and other tobacco products (“Tobacco Products”) manufactured or imported for sale and consumption in Canada;
 - (b) Provincial and territorial taxes were payable by a purchaser of Tobacco Products;

- (c) Tobacco Products imported into Canada and intended for consumption in Canada were subject to customs duties, federal taxes and applicable provincial and territorial tobacco and retail taxes; and
- (d) Exemptions from applicable taxes and duties were permitted on the lawful export of Tobacco Products from Canada;
2. A significant difference in price developed between the Tobacco Products sold in the domestic Canadian market and the products exported and sold into the United States which stimulated a growth in contraband activity in Tobacco Products;
 3. The Governments suffered the loss of applicable taxes and duties as a result of that contraband activity during the Material Time;
 4. The Governments have resolved their pending or potential civil claims against JTI Macdonald Corp. (“JTI-M”), R.J. Reynolds Tobacco Company (“RJR”) together with affiliates and related entities, in accordance with the terms of the Comprehensive Agreements, with respect to their activities which led to the growth in the contraband tobacco products market during the Material Time and the loss of applicable taxes and duties in accordance with the terms of the Comprehensive Agreements as defined below. It is acknowledged, understood and agreed by the Governments that, except as provided therein, nothing in the Comprehensive Agreements or this Agreement affects, resolves or releases any claims in respect of any existing or future claim by any Government for damages relating to health care costs or the recovery thereof, and that the Comprehensive Agreements so provide;
 5. The Governments acknowledge their awareness of the resolution, concurrent with but separate from this Agreement, of criminal proceedings related to the activities of JTI-M, RJR and Northern Brands International Inc. (“NBI”) during the period January 1, 1991 to December 31, 1996 through the plea of guilt by JTI-M to an offence contrary to section 240(1)(a) of the *Excise Act*, R.S.C. 1985, c. E14, as amended, in the Ontario Court of Justice (Toronto), and the payment by JTI-M of a fine, if so ordered, in the amount of

Cdn. \$150 million, and through the plea of guilt by NBI to an offence contrary to section 465(1)(c) of the *Criminal Code of Canada*, R.S.C. 1985, c. C-46, as amended, in the Ontario Court of Justice (Toronto), and the payment by NBI of a fine, if so ordered, in the amount of Cdn. \$75 million (collectively the “Criminal Fines”) both of which must ultimately be remitted to the Receiver General for Canada;

6. The Minister of National Revenue and the responsible Minister of each Province or Territory represents and warrants that he or she has authority of his or her respective Government to enter into this Agreement, and that all approvals or authorizations required to enter into, execute and implement this Agreement and bind that Government to the terms hereof have been obtained;
7. The Governments have entered into a Comprehensive Agreement with each of JTI-M on the one hand and RJR on the other, each made as of April 13, 2010 (the “Comprehensive Agreements”); and
8. The Governments are desirous of entering into this Agreement to authorize, facilitate and provide for the distribution by Canada, under the terms of this Agreement, of funds received by Canada on behalf of Canada and on behalf of the Provinces and Territories from JTI-M, RJR and NBI;

THEREFORE and in consideration for the mutual covenants contained in this Agreement and the performance thereof, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Governments agree as follows:

Recitals

9. The Recitals form part of this Agreement.

Receipts by Canada on behalf of All

10. The Governments acknowledge and confirm their agreement to the terms of each of the Comprehensive Agreements and specifically to the receipt by Canada for Canada and as agent for and on behalf of all Governments of the Payment received from RJR pursuant to its Comprehensive Agreement and from JTI-M and NBI in respect of the Criminal Fines, all as set out in Schedule A hereto ("Financial Settlements Schedule"), which Schedule forms part of this Agreement.
11. For greater certainty, the Governments acknowledge and confirm that the amounts received by Canada on behalf of the Provinces and Territories include amounts to be paid by JTI-M, RJR and NBI to the Provinces and Territories to resolve the civil claims or potential civil claims in accordance with the terms of the Comprehensive Agreements of each of the Provinces and Territories relating to the loss of applicable taxes and duties arising from activities which led to the growth in the contraband tobacco products market during the Material Time.

Payment of Funds by JTI-M, RJR and NBI Received by Canada

12. The Provinces and Territories acknowledge that it is expected that Canada shall receive funds from JTI-M, RJR and NBI in respect of separate and wholly distinct matters, and therefore in correspondingly separate and wholly-distinct capacities as follows:
 - (a) Canada shall receive from JTI-M Criminal Fines in the amount of Cdn. \$150 million as a payment of a fine levied against JTI-M if so ordered by the Ontario Court of Justice (Toronto) following a plea of guilt by JTI-M to an offence contrary to s.240(1)(a) of the *Excise Act*, R.S.C. 1985, c. E14, as amended;
 - (b) Canada shall receive from NBI Criminal Fines in the amount of Cdn. \$75 million as a payment of a fine levied against NBI if so ordered by the Ontario Court of Justice (Toronto) following a plea of guilt by NBI to an offence contrary to section 465 (1)(c) of the *Criminal Code of Canada*, R.S.C. 1985, c.C.46, as

amended. (This Criminal Fine and the amount referred to in paragraph 13 a) are collectively referred as the “Criminal Fines”); and

- (c) Canada shall receive a fixed payment from RJR in the amount of Cdn. \$325 million pursuant to the terms of the Comprehensive Agreement in respect of civil claims (“the Payment”).
13. It is agreed that based on Schedule “A”, that Canada shall, prior to any distribution to the Governments in accordance with Schedule “B”, (the “Distribution Schedule”, which forms part of this Agreement) deduct and distribute from the JTI/RJR/NBI Amounts received by Canada and available for distribution the following amounts all in respect of expenses and other rights and obligations: \$12 million to Canada; \$2 million to the Province of Quebec, \$40 million to the Province of British Columbia and \$5 million to the Province of Ontario. These amounts shall be paid by Canada to those Provinces within 30 days of Canada receiving the JTI/RJR/NBI Amounts and such JTI/RJR/NBI Amounts being available for distribution.
 14. The Governments agree and acknowledge their mutual intention to distribute amounts equal to all Criminal Fines and the Payment received by Canada from JTI-M, RJR and NBI net of the amounts referred to in paragraph 13 above (collectively the “JTI/RJR/NBI Amounts”), in satisfaction of all Government civil claims for loss of applicable taxes and duties as a result of that contraband activity in the proportions enumerated on Schedule “B” hereto and subject to the terms hereof.
 15. Canada undertakes to distribute to each of the Governments their share of the JTI/RJR/NBI Amounts as soon as possible but no later than 30 days after receipt of such Amounts by Canada according to the terms of this Agreement and such JTI/RJR/NBI Amounts being available for Distribution.

Effect of Release and Claim Over

16. Each of the Governments acknowledges the terms of the Comprehensive Agreements and particularly paragraph 8 of the JTI-M Comprehensive Agreement and paragraph 12 of the RJR Comprehensive Agreement in respect of Released Claims and claims over.
17. Accordingly, each of the Governments agrees that if it receives, directly or indirectly, such an amount from JTI-M, NBI and/or RJR in respect of Released Claims other than pursuant to the Comprehensive Agreements and this Agreement, any then outstanding distributions payable to that Government pursuant to the Distribution Schedule of this Agreement from any or all of JTI-M, NBI or RJR shall be reduced and/or adjusted to give effect to the distributions and allocations provided for in the Distribution Schedule as expeditiously as possible.
18. Each of the Governments hereby agrees that it shall indemnify and make whole the other Governments in respect of all reasonable costs, legal fees and disbursements and expenses incurred, and for all damages, costs, penalties, fines or interest awarded, all on a full indemnity scale, as a result of any action by that Government resulting in a breach of this Agreement or the Comprehensive Agreements, including the receipt, directly or indirectly, of any amount by that Government from JTI-M, NBI and/or RJR in respect of Released Claims other than pursuant to the Comprehensive Agreements.

Form of Payment

19. All payments under this Agreement shall be made by electronic funds transfers to the account coordinates to be provided by each of the Provincial and Territorial Governments to the Government of Canada.

Notices

20. All notices required and/or made under this Agreement shall be given by facsimile and by courier delivery to the following:

(a) **HER MAJESTY IN RIGHT OF CANADA AS REPRESENTED BY THE
MINISTER OF NATIONAL REVENUE**

Attention: Assistant Commissioner
Legislative Policy and Regulatory Affairs Branch
Canada Revenue Agency
320 Queen Street
Place de Ville, Tower A
Room 22-03, 22nd Floor
Ottawa, ON K1A 0L5

Fax: (613)-957-2067

(b) **THE MINISTER OF REVENUE OF QUEBEC, REPRESENTED BY THE
DEPUTY MINISTER OF REVENUE**

Attention : Sous-ministre adjoint
Direction générale de la législation et des enquêtes et du registraire des entreprises
Revenu Québec
Gouvernement du Québec
3800, rue de Marly
Secteur 5-2-6
Québec G1X 4A5

Fax: (418)-643-9381

(c) **HER MAJESTY IN RIGHT OF ONTARIO AS REPRESENTED BY THE
ATTORNEY GENERAL OF ONTARIO**

Attention: Assistant Deputy Attorney General – Legal Services Division
Ministry of the Attorney General
720 Bay Street, 6th Floor
Toronto, Ontario
M5G 2K1

Fax: (416)-326-6996

(d) **HER MAJESTY IN RIGHT OF NOVA SCOTIA AS REPRESENTED BY
THE ATTORNEY GENERAL OF NOVA SCOTIA**

Attention: Director Legal Services
Nova Scotia Department of Justice
400 – 151 Terminal Road
P.O. Box 7
Halifax, NS B3J 2L6

Fax: (902)-424-1730

(e) **HER MAJESTY IN RIGHT OF NEW BRUNSWICK AS REPRESENTED
BY THE MINISTER OF FINANCE**

Attention: Provincial Tax Commissioner
Department of Finance
Government of New Brunswick
Centennial Building
PO Box 6000
Fredericton, New Brunswick
E3B 5H1

Fax: (506)-453-3275

(f) **HER MAJESTY IN RIGHT OF MANITOBA AS REPRESENTED BY THE
MINISTER OF FINANCE**

Attention: Senior Assistant Deputy Minister
Manitoba Finance
1000-386 Broadway
Winnipeg, Manitoba
R3C 3N9

Fax: (204)-948-3553

(g) **HER MAJESTY IN RIGHT OF BRITISH COLUMBIA AS REPRESENTED BY THE ATTORNEY GENERAL OF BRITISH COLUMBIA**

Attention: Assistant Deputy Minister
Revenue Programs Division
Ministry of Finance
P.O. Box 9432
Victoria, B.C.
V8W 9M9

Fax: (250)-387-3000

(h) **HER MAJESTY IN RIGHT OF PRINCE EDWARD ISLAND AS REPRESENTED BY THE ATTORNEY GENERAL OF PRINCE EDWARD ISLAND**

Attention: Provincial Tax Commissioner
Taxation and Property Records
Department of Provincial Treasury
Government of Prince Edward Island
First Floor, Shaw Building
95 Rochford Street
PO Box 2000
Charlottetown, Prince Edward Island
C1A 7N8

Fax: (902)-368-6584

(i) **HER MAJESTY IN RIGHT OF SASKATCHEWAN AS REPRESENTED BY THE MINISTER OF FINANCE**

Attention: Assistant Deputy Minister, Revenue Division
Ministry of Finance
5th Floor, 2350 Albert Street
Regina, SK
S4P 4A6

Fax: (306) 787-0241

(j) **HER MAJESTY IN RIGHT OF ALBERTA AS REPRESENTED BY THE
MINISTER OF FINANCE AND ENTERPRISE**

Attention: Assistant Deputy Minister
Tax and Revenue Administration
Finance and Enterprise
Government of Alberta
2nd Fl Sir Frederick W. Haultain Building
9811-109 Street
Edmonton, Alberta
T5K 2L5

Fax: (780)-422-0899

(k) **HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR AS
REPRESENTED BY THE MINISTER OF FINANCE**

Attention: Assistant Deputy Minister Taxation and Fiscal Policy Branch
Department of Finance
Government of Newfoundland and Labrador
Confederation Building
PO Box 8700
Prince Phillip Drive
St. John's, Newfoundland
A1B 4J6

Fax: (709)-729-2070

(l) **THE GOVERNMENT OF THE NORTHWEST TERRITORIES AS
REPRESENTED BY THE MINISTER OF FINANCE**

Attention: Director of Fiscal Policy
Department of Finance
Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NT
X1A 2L9

Fax: (867)-873-0128

(m) **THE GOVERNMENT OF YUKON AS REPRESENTED BY THE
MINISTER OF FINANCE**

Attention: Director, Taxation
Department of Finance, Government of Yukon
P.O. Box 2703, Whitehorse, YT Y1A 2C6

Fax: (867)-393-6217

(n) **THE GOVERNMENT OF NUNAVUT AS REPRESENTED BY THE
MINISTER OF FINANCE**

Attention: Assistant Deputy Minister, Policy & Planning
Department of Finance, Government of Nunavut
P.O. Box Box 1000, Station 330, Iqaluit, Nunavut, X0A 0H0

Fax: 867-975-5805

Miscellaneous

21. The Parties acknowledge that this Agreement when executed may be made public.
22. In the event that any Party hereto or its representatives are subpoenaed or otherwise compelled by law to give evidence with respect to this Agreement or the matters contained herein, such Parties shall provide notice forthwith to all other Parties.
23. Both versions of this Agreement in the official languages of Canada are equally binding, enforceable and authentic.
24. This Agreement may be executed in counterparts and by facsimile with originals to follow, and such counterparts, taken together, shall be deemed to constitute one and the same instrument and such facsimiles shall be deemed to be originals.

25. This Agreement may be modified, waived or amended only by the written agreement of authorized representatives of the Parties and not by acquiescence or conduct.
26. The Parties agree to take such further acts and steps, and execute and deliver such further documents as may be reasonably required to implement and/or give effect to this Agreement and its terms.
27. This Agreement shall be governed by and interpreted in accordance with the laws of Canada.

HER MAJESTY IN RIGHT OF CANADA AS
REPRESENTED BY THE MINISTER OF
NATIONAL REVENUE

Per:

Name: The Honourable Keith Ashfield

Title: Minister of National Revenue

THE MINISTER OF REVENUE OF QUEBEC,
acting through the Deputy
Minister of Revenue of Quebec

Per:

Name: Francois T. Tremblay

Title: Assistant Deputy Minister designated to act
in the stead of the Deputy Minister of Revenue of
Quebec

HER MAJESTY IN RIGHT OF ONTARIO AS
REPRESENTED BY THE ATTORNEY
GENERAL OF ONTARIO

Per:

Name:

Title:

HER MAJESTY IN RIGHT OF NOVA SCOTIA
AS REPRESENTED BY THE ATTORNEY
GENERAL OF NOVA SCOTIA

Per:

Name:

Title:

HER MAJESTY IN RIGHT OF NEW
BRUNSWICK AS REPRESENTED BY THE
MINISTER OF FINANCE

Per:

Name: Greg Byrne, Q.C
Title: Minister of Finance

HER MAJESTY IN RIGHT OF MANITOBA AS
REPRESENTED BY THE MINISTER OF
FINANCE

Per:

Name:
Title:

HER MAJESTY IN RIGHT OF BRITISH
COLUMBIA AS REPRESENTED BY THE
ATTORNEY GENERAL OF BRITISH
COLUMBIA

Per:

Name: David Loukidelis
Title: Deputy Attorney General

HER MAJESTY IN RIGHT OF PRINCE
EDWARD ISLAND AS REPRESENTED BY THE
ATTORNEY GENERAL FOR PRINCE EDWARD
ISLAND

Per:

Name:
Title: Deputy Attorney General, Office of the
Attorney General and Public Safety

HER MAJESTY IN RIGHT OF
SASKATCHEWAN AS REPRESENTED BY THE
MINISTER OF FINANCE

Per:

Name:

Title:

HER MAJESTY IN RIGHT OF ALBERTA AS
REPRESENTED BY THE MINISTER OF
FINANCE AND ENTERPRISE

Per:

Name:

Title:

HER MAJESTY IN RIGHT OF ALBERTA AS
REPRESENTED BY THE MINISTER OF
INTERNATIONAL AND
INTERGOVERNMENTAL RELATIONS

Approved pursuant to s. 11 of the *Government
Organization Act* this day of 2010.

Per

Name:

Title: Deputy Minister of International and
Intergovernmental Relations

HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR AS
REPRESENTED BY THE MINISTER OF
JUSTICE ATTORNEY GENERAL

Per:

Name: Felix Collins
Title: Minister of Justice

HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR AS
REPRESENTED BY THE MINISTER OF
FINANCE

Per:

Name: Thomas W. Marshall, Q.C.
Title: Minister of Finance

HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR AS
REPRESENTED BY THE MINISTER FOR
INTERGOVERNMENTAL AFFAIRS

Per:

Name: Dave Denine
Title: Minister of Intergovernmental Affairs
THE GOVERNMENT OF THE NORTHWEST
TERRITORIES

Name: J. Michael Miltenberger
Title: Minister of Finance

THE GOVERNMENT OF YUKON

Per:

Name: Dennis Fentie

Title: Minister of Finance

THE GOVERNMENT OF NUNAVUT

Per:

Name: Keith Peterson

Title: Minister of Finance

Schedule A
Financial Settlements Schedule

Financial Settlements Schedule Year 2010	
R.J. Reynolds Tobacco Company	\$325
JTI MacDonald Corp.*	\$150
Northern Brands International *	\$75
TOTAL	\$550

(All dollar amounts in millions)

* Fine amounts relating to criminal charges

Schedule B Government Distribution Schedule

Government Distribution Schedule Year 2010		
Provinces	Percentages	Dollar Amounts
Alberta	1.561	7.7
British Columbia	4.243	20.8
Manitoba	1.066	5.2
New Brunswick	2.020	9.9
Newfoundland & Labrador	2.071	10.2
Nova Scotia	2.525	12.4
Ontario	14.412	70.7
Prince Edward Island	0.264	1.3
Quebec	19.329	94.9
Saskatchewan	0.734	3.6
Northwest Territories	-	0.125
Nunavut	-	0.100
Yukon	-	0.100
Canada	51.775	254.0
TOTAL	100%	\$491

[Subject to Rounding Adjustments]

(All dollar amounts in millions)