



## State of North Carolina

ROY COOPER  
ATTORNEY GENERAL

Department of Justice  
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August 23, 2004

North Carolina Senate President *Pro Tempore* Marc Basnight  
North Carolina House of Representatives Speaker James B. Black, Jr.  
North Carolina House of Representatives Speaker Richard T. Morgan  
Co-Chairs, Joint Legislative Commission on Governmental Operations

Senator Scott Thomas  
Chair, Senate Appropriations Committee on Justice and Public Safety  
Representative Joe R. Kiser  
Representative R. Phillip Haire  
Co-Chairs, House Appropriations Subcommittee on Justice and Public Safety

North Carolina General Assembly  
Raleigh, North Carolina 27601-1096

RE: N.C.G.S. § 114-2.5; Report of Settlement with Vibo Corporation d/b/a  
General Tobacco to enter into the tobacco Master Settlement Agreement  
and pay certain sums due and owing.

Gentlemen:

N.C.G.S. § 114-2.5 requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety regarding all settlement agreements or final court orders or judgments which result in more than \$75,000.00 being paid to the State or a State agency. Pursuant to that statute, I am writing to report as follows:

Tobacco product manufacturers who do not participate in the tobacco Master Settlement Agreement ("MSA") from time to time enter into settlement agreements with the Settling States in order to join the MSA. On August 19, 2004, Vibo Corporation, d/b/a General Tobacco, and forty-six states, five territories, and the District of Columbia ("the Settling States") entered into several agreements which settled the disputes between General Tobacco and the Settling States and allowed General Tobacco to join the MSA.

As part of the settlement, the Settling States agreed to release non-participating

manufacturer (“NPM”) escrow funds that General Tobacco had deposited pursuant to the escrow statutes in the Settling States so that the released amounts could be used to pay part of General Tobacco’s MSA payment obligations for past sales of cigarettes. At the instruction of the Settling States, the released amounts have been sent directly to the MSA Escrow Agent, Citibank. The aggregate amount of the released NPM escrow is \$78,249,319.12, of which North Carolina’s share is approximately \$1,769,859.40.

North Carolina’s share will be distributed from the MSA Escrow Account at the instruction of the MSA Independent Auditor, PriceWatershouseCoopers, at some time in the near future consistent with the instructions that North Carolina has given the Independent Auditor for disbursement of MSA payments.

We will be happy to respond to any questions you may have regarding this report. Please feel free to contact me at (919) 716-0042. With warm regards, I am

Very truly yours,

Julia White  
Chief of Staff

cc:: Nels Roseland, Chief Fiscal Officer, NC DOJ  
Jim Johnson, Director of Fiscal Research, NCGA  
Chloe Gossage, Fiscal Research, NCGA