

## RETENTION AGREEMENT

WHEREAS, the Attorney General has determined that claims should be made against certain persons and/or legal entities which are now or have previously been known as Brown and Williamson Tobacco Co. and R.J. Reynolds Tobacco Company (hereinafter referred to as “the Companies”), which have failed properly to report their cigarette shipments and profits, causing the State to fail to receive amounts to which it is entitled under a settlement agreements previously entered into in the cause of *In Re Jim Hood, Attorney General, ex rel. State of Mississippi Tobacco Litigation* (Cause No. 94-1429, Jackson County Chancery Court), and which have attempted wrongfully to deprive the State of Mississippi of settlement monies owed; and

WHEREAS, the Attorney General has estimated that the damages incurred by the State of Mississippi could total in excess of \$5,000,000.00 including applicable penalties, legal interest, attorneys’ fees, and costs, and that the State of Mississippi may be entitled to additional amounts including punitive damages on account of the unlawful nature of the Companies’ actions (all amounts to which the State is or may be entitled to recover on account of the actions of the Companies hereinafter being referred to as “the Claims”);

WHEREAS, the Attorney General has determined that the investigation, research, and litigation of the Claims will require the expenditure of large sums of money and may require the work of numerous lawyers, para-legals, accountants, and secretaries who are familiar with the defendants and their tortious and/or otherwise wrongful actions and/or inactions, and related issues for an extended period of time; and

**WHEREAS**, the Attorney General has further determined that it is in the best interests of the State and its citizens that the State retain attorneys experienced in the tobacco litigation and familiar with the settlements thereof; and,

**WHEREAS**, the below listed Law Firm is experienced in tobacco litigation and in this particular lawsuit, and has consented to represent the State of Mississippi, in association with the Attorney General, respecting the Claims and pursuant to the terms and conditions hereof.

**IT IS, ACCORDINGLY, AGREED** as follows:

1. The Office of the Attorney General hereby retains the Lee Young Law Firm and Matthew G. Mestayer, PLLC ("Law Firm"), and its principal members, Lee Young and Matthew G. Mestayer, are hereby designated as Special Assistant Attorney General to investigate, research and file the Claims in any appropriate Court or Courts or before any appropriate governmental agency. Each person designated as a Special Assistant Attorney General to pursue the Claims shall execute the Oath of Office in the form attached hereto and deliver the original of same to the Attorney General before entering upon their duties.

2. The Attorney General does not relinquish his constitutional or statutory authority or responsibility through this Retention Agreement. The Attorney General has the sole authority to settle this litigation on behalf of the State of Mississippi and its citizens. The Law Firm shall consult with the Attorney General and obtain his approval on all material matters pertinent to these Claims and any litigation arising therefrom, and the Attorney General shall cooperate with the Law Firm and use his best efforts to secure the cooperation of other State agencies. The Attorney General is not required, however, to assign any members of his staff to pursue the Claims, but may from time to time afford staff and other support services as the Attorney General deems appropriate. The Attorney General shall designate a member(s) of his staff to

monitor these Claims, and the Law Firm shall keep the Attorney General and his designated staff member(s) fully informed on all matters pertaining to the Claims.

3. The Attorney General shall maintain responsibility for the public distribution of information concerning this matter. All press inquiries shall be referred to the Attorney General for comment and response.

4. The Attorney General and the Law Firm both recognize that the Claims present numerous factual and legal obstacles, and that no assurance of success on the Claims has or can be made.

5. Notwithstanding the potential difficulties, the Law Firm has agreed to represent the State, and the Attorney General hereby agrees that the Law Firm will be compensated for its efforts, upon successful recovery, on the following basis:

A. Fee Agreements: Paid by Companies

The Law Firm asserts that any and all attorneys fees and expenses awarded in the successful recovery by the Law Firm should be paid by the Companies pursuant to the terms and conditions of the Court Orders and settlement agreements herein. As such, the Law Firm will request an award for attorneys fees and expenses from the Companies for any recovery received by the State as a result of this litigation. The Attorney General will support that request for an amount up to and including an amount equal to recognized bar rate percentages of any and all gross amounts received by the State in settlement or other resolution of the Claims. If the Law Firm is

successful in this regard, then the state shall pay no fees and expenses to the Law Firm.

In any event the Court should award should award the Law Firm an amount equal to 40% or less, but more than 25% of all gross amounts received by the State in settlement or other resolution of the Claims, the Law Firm shall be entitled to its legal fees as established by the Court with same being paid by the Companies.

In such an event, the Law Firm would not be entitled to any legal fees from the State.

In the event the Court should award the Law Firm no legal fees or an amount less than 25% of the gross amounts received by the State in settlement or other resolution of the Claims, then the State agrees to pay the Law Firm legal fees in addition to the amount awarded by the Court, equal to the difference between the amount awarded by the Court and the percentages assigned in Exhibit B Retention Agreement attached hereto, but not to exceed the percentages outlined Exhibit B Retention Agreement.

B. Fee Agreements: Paid by State

Exhibit A - Retention Agreement - Matter Settled Prior to Initiation of Litigation

Exhibit B - Retention Agreement - Matter Resolved After Initiation of Litigation

- C. All reasonable and necessary costs of litigation including, but not limited to, court costs, travel, witness fees, consultants, accounting, and expert fees and expenses shall be approved by the Attorney General, and shall initially be borne entirely by the Law Firm, but be reimbursed from any gross recoveries from the pursuit of such Claims unless such costs have been awarded by the Court as a component of attorneys fees;
- D. The Law Firm shall receive no compensation or reimbursement other than set out above. In the event that no recovery is realized, the undersigned attorneys shall receive no compensation or reimbursement.

The Law Firm shall receive no compensation or reimbursement other than set out above. In the event that no recovery is realized, the Law Firm shall receive no compensation, and will be responsible for any and all litigation expenses.

6. With the approval of the Attorney General, the Law Firm may associate other attorneys at its own expense and at no cost to the State of Mississippi. It is understood that the Law Firm has agreed to associate Gary Wilson and Mark Greenwold as counsel pursuant to this provision. Notwithstanding such association of other attorneys, this Retention Agreement is non-assignable and non-transferable, nor are the Law Firm's commitments delegable without the express, written approval of the Attorney General.

7. All records and files created, maintained or received by the Special Assistant in the performance of this contract shall be the property of the Attorney General. The Attorney General or his designee shall have the right to inspect and retrieve all such records belonging to the Attorney General, which are in the possession of the Firm. Upon the expiration or

termination of this contract, the Firm will immediately deliver all such records belonging to the Attorney General at its main office location.

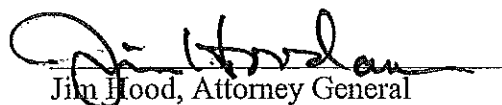
8. The Law Firm acknowledges and agrees that any and all information, documentary or otherwise, which is disclosed to the Firm and any and all associated attorneys and staff in the course of performing the duties specified herein, is confidential or privileged by law or rule of court, shall not be disclosed to any other party without the express written consent of the Attorney General and may not be used in any manner whatsoever by the Firm and any and all associated attorneys and staff other than in performing the services specified herein. Firm agrees to obtain confidentiality agreements from any and all employees and agent of the Firm, and any and all associated attorneys and staff.

9. The Attorney General or his duly authorized representative may terminate this contract at any time, with or without cause, by giving written notice to the Firm of such termination. Such termination by the Attorney General may, at his sole discretion, be effective immediately or at such date as he determines. The Law Firm may terminate this agreement, with or without cause, by giving at least ten days' written notice to the Attorney General.

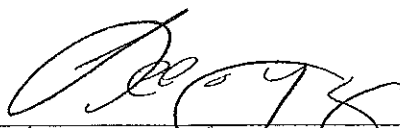
10. Obligations of confidentiality and obligations to deliver records to the Attorney General survive termination or expiration of this contract.

DATED this 1 day of October, 2009.

**ATTORNEY GENERAL OF  
THE STATE OF MISSISSIPPI**

By:   
Jim Hood, Attorney General

**LEE YOUNG LAW FIRM**

By:   
LEE E. YOUNG

**MATTHEW G. MESTAYER, PLLC**  
By: 