

In November 1998, the nation's leading cigarette manufacturers, including Philip Morris USA (PM USA) and other Original Participating Manufacturers (OPMs), signed a contract called the Master Settlement Agreement (MSA) with the Attorneys General of 46 states, five U.S. territories and the District of Columbia. In 1997 and 1998, similar agreements had already been reached between the OPMs and the four states of Florida, Minnesota, Mississippi and Texas, referred to as the "previously settled states."

## History

The Tobacco Settlement Agreements – the MSA and the settlement agreements with the previously settled states – stemmed from a lawsuit first filed in 1994 by the State of Mississippi against the leading tobacco companies at the time to, among other things, allow the State to recover health care costs associated with cigarettes. Other states sued as well, and a settlement was first proposed in June of 1997 that would have required federal legislation. The enabling legislation was debated in Congress, but no federal legislation was enacted. Forty-six state attorneys general and the tobacco companies then entered into the MSA. In 1997 and 1998, agreements also were reached with the four previously settled states. A list of the lawsuits settled appears in Exhibit D of the MSA.

## Purpose

The fundamental purposes of the MSA and the settlements with the four previously settled states were to:

- Resolve litigation brought by the States for health-care reimbursement through, among other things, annual payments to the States *in perpetuity* by the cigarette manufacturers who have signed the settlement agreements;
- Impose restrictions on tobacco marketing and advertising methods that had been criticized as

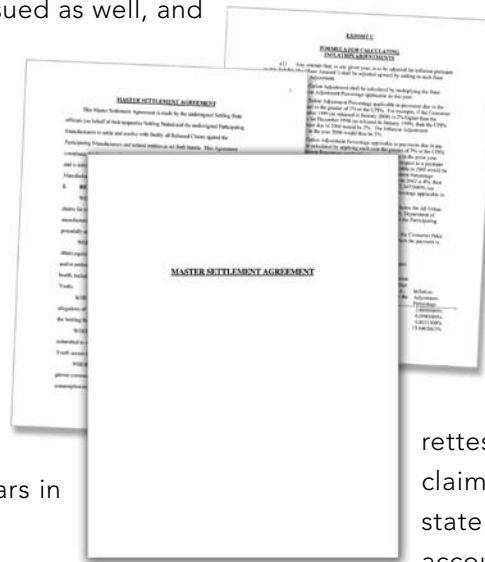
contributing to youth smoking (many of which could not otherwise have been imposed under the First Amendment); and

- Reduce youth smoking and promote public health.

The Tobacco Settlement Agreements fundamentally changed the way cigarettes and smokeless tobacco products are advertised, marketed and sold in the United States. The MSA created a valid and binding contractual obligation between the states and the cigarette manufacturers who signed the agreement.

## Other Parties

Since the agreements were first signed, other cigarette manufacturers have signed the MSA. They are called "Subsequent Participating Manufacturers" (SPMs). Collectively, OPMs and SPMs are called "Participating Manufacturers." Cigarette manufacturers and importers that have not signed the MSA are referred to as "Non-Participating Manufacturers" (NPMs). The NPMs have not settled with the states; do not make settlement payments to the states; did not agree to restrictions on the advertising, marketing, and promotion of cigarettes; and are not released from state claims. NPMs are, however, required by state law to make payments to escrow accounts, on which they collect interest as it is earned and can recover if there is no state judgment within 25 years of deposit.



## NAAG

The National Association of Attorneys General has a Tobacco Project and a Tobacco Committee that work with the states to implement and enforce the MSA. The MSA and related documents can be accessed at [www.naag.org](http://www.naag.org). The site also contains information on how a manufacturer can become a participant in the MSA.