



## **PRESS RELEASE**

Colorado Department of Law  
Attorney General John W. Suthers

## **FOR IMMEDIATE RELEASE**

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## **ATTORNEY GENERAL ANNOUNCES COLORADO'S VICTORY IN ARBITRATION UNDER TOBACCO MASTER SETTLEMENT AGREEMENT**

**DENVER**—Colorado Attorney General John Suthers today announced that his Consumer Protection Section won a major arbitration victory under the \$206 billion Master Tobacco Settlement Agreement (MSA) the state signed in 1998. As a result of the arbitration award, Colorado will receive approximately \$9.9 million in withheld tobacco settlement funds relating to a long-standing dispute over settlement payments in 2003. Since the MSA was signed, Colorado has received more than \$1.3 billion in tobacco settlement payments.

The arbitration panel, which is comprised of three former federal judges, issued a 23-page ruling late yesterday that found Colorado was not subject to any part of a claimed \$1.2 billion adjustment against the tobacco manufacturers' \$6.5 billion payment to the states in 2003. Some of those manufacturers subsequently withheld a portion of their annual payments to the state as part of this dispute.

“This ruling reaffirms our strategy and decision not to sign on to a settlement term sheet offered by the manufacturers last December; a settlement that could have cost Coloradans millions of dollars over time. This is an important and financially lucrative victory for Colorado as tobacco use remains a major public health problem,” said Suthers.

As part of the MSA, Phillip Morris USA Inc., R.J. Reynolds Tobacco Company, and the Lorillard Tobacco Company and fourteen smaller companies challenged that Colorado and other states had failed to “diligently enforce” state laws requiring cigarette manufacturers that did not join the MSA (called “non-participating manufacturers” in the MSA) to pay money into escrow for every cigarette sold in Colorado. A finding of “diligence” – which Colorado received in the arbitration award – means that no part of the 2003 NPM

Adjustment can be applied against Colorado's 2003 MSA payment.

The "participating manufacturers" eventually withheld more than \$723 million of their 2003 MSA payments into a disputed payments account pending the outcome of the arbitration. As a result of the arbitration decision, Colorado will receive approximately \$9.9 million of these wrongfully withheld funds.

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