



Ankin Law Office LLC

Protecting the Rights of Injured Workers

162 W Grand Ave
Chicago, Illinois 60654, United States
Tel: 312-346-8780 or 800-442-6546
Fax: 312-346-8781
Email: howard@ankinlaw.com
Website: www.ankinlaw.com
Blog: www.thechicago-injury-lawyer.com

13-Year Old Tobacco Settlement Still the Subject of Disputes

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\$7.1 billion Payment Dispute

A proposed settlement between big tobacco and the states to resolve a \$7.1 billion payment dispute was rejected the states last month. The deal requires the approval of a "critical mass" of states in order to be finalized, and certain states, including Utah, New Jersey and Missouri, representing more than half of the market share have rejected the deal, thus putting the parties at an impasse.

The proposed settlement have allowed large tobacco companies to recoup approximately \$2 billion from funds that have been withheld from states or otherwise disputed under the 1998 master settlement agreement, with the states collecting approximately \$5.1 billion of the disputed payments. In exchange for allowing the allowing cash-strapped states to collect several billion dollars of the disputed payments, the 1998 master settlement agreement would be revised with respect to how the states collect fees and taxes from smaller companies that have not joined the 1998 master settlement.

The tobacco giants argue that they should not be required to pay on sales from 2003 through 2010, calling into question an amount totaling more than \$7.1 billion. The tobacco conglomerates also argue that they have lost market share because the states have failed to seek payments from smaller tobacco companies that are not party to the 1998 settlement.

Those familiar with the matter are growing increasingly doubtful that the parties will reach a finalized settlement agreement.

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Profit Reporting Dispute Sales in Mississippi

The \$7.1 billion dispute between big tobacco and the states isn't the only tobacco settlement dispute currently playing itself out in the legal system. On July 25, 2011, a Mississippi judge heard arguments from R.J. Reynolds and the State of Mississippi regarding whether or not the tobacco giant failed to fulfill obligations under the master tobacco settlement when it failed to report profits from the sale of 7.8 billion cigarettes made by one of its subsidiaries to the independent tobacco company Star Tobacco, which sold the cigarettes in Mississippi under the brand names Gunsmoke and Vegas between 1999 and 2002.

An attorney for R.J. Reynolds, which manufactures six of the 10 best-selling U.S. cigarette and moist snuff brands and is the second-largest tobacco company in the United States, argued that, because the sales of those cigarettes were not directed at customers' whose health could be affected, the sales should be exempted from the master settlement agreement.

Mississippi Attorney General Jim Hood filed a lawsuit in 2010 alleging that the exclusions of the sales of Star Tobacco cigarettes from the master settlement agreement "resulted in artificially low payments in Mississippi for 2001 and for every year thereafter in which Mississippi was entitled to a net operating profits adjustment."

According to attorneys involved in the matter, Mississippi's share of the 25-year, \$206 billion settlement is expected to be about \$3.6 billion, depending on the amount of cigarettes the companies sell in the state each year, with Mississippi generally receiving \$90 million to \$100 million each year from the settlement. The settlement resolved litigation in which Mississippi and 45 other states argued that cigarettes manufactured and sold by the tobacco industry contributed to health problems that resulted in significant medical costs to the states' public health systems. Jackson County Chancery Judge Jaye Bradley is currently considering the parties' arguments and has not indicated when she expected to make a decision.

The Chicago product liability law firm of Ankin Law Offices, LLC is committed to protecting of consumers from [dangerous and defective](#) products through [personal injury lawsuits](#) or [class action lawsuits](#).

Howard Ankin of Ankin Law Office LLC (www.ankinlaw.com) handles workers' compensation and personal injury cases. Mr. Ankin can be reached at (312) 346-8780 and howard@ankinlaw.com.