

2080425213

SC-FAT
RW



**PHILIP MORRIS
MANAGEMENT CORP.**

PROFESSIONAL SERVICES AGREEMENT

This agreement ("Agreement") is made this 14 day of June 2000, by and between Philip Morris Management Corp. ("Company") and DENNY PUBLIC AFFAIRS, a Sole Proprietorship, doing business at 401 Daylily Court, Lexington, SC 29072 ("Contractor") pursuant to which Contractor will perform certain professional services ("Services") for the Company in accordance with the following terms and conditions.

1. Services

Contractor will perform the following Services:

- (a) develop constituencies, at the request of the Company;
- (b) perform in a professional manner and refrain from the use of improper methods when urging consideration of any matter;
- (c) comply fully with all applicable federal, state and local laws and regulations when performing obligations under this Agreement, including laws and regulations governing lobbying, gifts and contributions;
- (d) serve as a general resource for the benefit of the Government Affairs Department of the Company on matters relevant, in the opinion of the Company, to the Company; and
- (e) remain available to meet at reasonable times with Company representatives at the Company headquarters in New York or other locations designated by the Company.

2. Consideration

In payment for the Services rendered by the Contractor during the term of this Agreement, the Company will pay Contractor Three Thousand Five Hundred Dollars (\$3,500.00) per month plus any applicable state sales taxes. Total fees paid by the Company to the Contractor for Services will not exceed Twenty-One Thousand Dollars (\$21,000.00) during the Term. The Company will make payments to the Contractor within thirty (30) days of receipt of each monthly invoice. The Contractor's consideration is not contingent upon the success of any undertaking hereunder, except where and to the extent permitted by law.

3. Expenses

The Contractor shall not submit expenses for reimbursement unless the Contractor requests and receives prior approval from the Company for the expenditures and the expenditures are made in compliance with applicable law and regulations. Expenditures for honoraria, gifts or political contributions are not reimbursable expenses. If approved in advance, all expenses of Twenty-Five Dollars (\$25.00) or more must be submitted with original receipts. Expenses for projects not specifically within the scope of this Agreement, if any, must be approved in advance by the Company and billed separately. Contractor shall use its best efforts to minimize all expenses which in no event shall exceed twenty-five percent (25%) of the total consideration actually paid hereunder.

4. Term and Termination

The term of the Agreement will commence on 1 July 2000 and will end on 31 December 2000. Either party may terminate the Agreement, with or without cause, on thirty (30) days advance written notice to the non-terminating party. If the Company terminates the Agreement, the Company will have no liability or payment obligations to the Contractor after the effective date of the notice of termination.

2080425213A

FAT

5. Records

The Contractor, Contractor's employees and agents of Contractor will maintain detailed and accurate books and records of account with respect to its activities undertaken on behalf of the Company and will provide periodic reports as requested by the Company. Contractor will maintain its books and records in the manner and for the time period required by state and local law. Company, its employees and agents shall have the right, upon reasonable advance notice, during normal business hours and at Company's expense, to audit Contractor's financial books and records pertaining to Contractor's performance hereunder, regardless of the manner or form in which such books and records are maintained by Contractor. The Company may withhold final payment, without penalty, for Contractor's Services until such time as its reasonable request to audit Contractor's books and records is honored. Company's audit rights hereunder shall be limited to an inspection of materials which are relevant to Contractor's Services on behalf of Company pursuant to the Agreement. The Company shall endeavor to respect the confidentiality of any materials subject to such audit and shall honor such procedures, designed to preserve confidentiality, as Contractor may reasonably request.

6. Confidentiality

The Contractor, Contractor's employees and agents of Contractor will hold strictly confidential all information and materials provided by the Company to the Contractor or created by the Contractor in performing the Agreement. The information and material will remain the property of the Company. The Contractor will store all such information in a secure place, limit access to the information and not use or disclose the information unless authorized to do so in writing by the Company. Upon termination or expiration of the Agreement, but not later than thirty (30) days thereafter, Contractor will return all materials to the Company. The Contractor's obligation to maintain the confidentiality of all information obtained by the Contractor from the Company in connection with Contractor's performance under the Agreement will survive the expiration or termination of the Agreement.

7. Third Party Contacts

If at any time Contractor is contacted by a third party, including the media, concerning its activities on behalf of the Company, the Contractor will make no comment, notify the Company of the third party contact, and refer the third party to the Company's Vice President of State Government Affairs. At the Company's discretion, the Contractor may be allowed to respond to routine inquiries from members of the press, legislators or administrative officials concerning legislation or administrative rules upon which Contractor is working on Company's behalf, if any. Contractor's response must be approved in advance by the Company.

8. Registration and Reports

The Contractor is responsible for registering and filing reports with federal, state and local governments, as may be required by and in compliance with applicable law or regulation, in connection with Contractor's activities on behalf of the Company. The reports must be filed in an accurate and timely manner and at the Contractor's expense. Upon request, Contractor will forward copies of reports to the Company's Vice President of State Government Affairs, immediately upon filing. Where applicable, Contractor will provide all necessary information and assistance to the Company in a timely and accurate fashion to enable the Company to comply with filing and registration obligations. Contractor warrants that it has secured and will maintain all necessary licenses, certifications or registrations in connection with Contractor's Services, as required by law.

9. Indemnification

- (a) Contractor indemnifies and holds harmless the Company, its affiliates and the officers, employees, directors and agents of the Company and its affiliates from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to errors, omissions, misrepresentations or negligence of or by Contractor. Contractor's obligation to indemnify and hold harmless will survive the expiration or termination of the Agreement.
- (b) Company indemnifies and holds Contractor harmless from all claims, liabilities, costs and expenses including reasonable attorneys' fees, that arise from Contractor's use of or reliance upon any information, documents, representations, reports or data furnished or prepared by or at the direction of the Company for Contractor's use in connection with Contractor's performance of Services pursuant to this Agreement.

10. Insurance

Contractor agrees to maintain, at Contractor's sole expense, during the term of this Agreement, comprehensive general liability insurance from a carrier satisfactory to the Company, with aggregate limits of at least \$1,000,000. Contractor agrees to maintain during the term of this Agreement workers' compensation insurance as and if required by applicable law. Contractor agrees to maintain comprehensive automobile liability coverage at limits no less than that which is required by applicable state law. Contractor shall furnish to the Company true and correct copies of the certificates of insurance

maintained in compliance with this paragraph prior to the commencement or during the Term of this Agreement, and annually thereafter, as evidence that such policies are in full force and effect. The certificates shall name Company as an additional insured on the comprehensive general and automobile liability coverages and shall contain a thirty (30) day prior notice of cancellation, termination or material change in coverage provision. The maintenance by Contractor of insurance in force, as required herein, shall in no way be interpreted to relieve Contractor of any other obligations it may have under the Agreement.

11. Independent Contractor

Contractor is an independent Contractor and the Agreement shall not be construed to create an association, partnership, joint venture, relation of principal and agent or employer and employee between Company and the Contractor or any of its employees within the meaning of any federal, state or local law. Contractor will not enter into any agreement, oral or written, on behalf of the Company or otherwise obligate the Company without the Company's advance written approval.


12. Exclusivity

During the term of the Agreement, and for six (6) months thereafter, Contractor will not, without the prior written consent of the Company, engage in lobbying, consulting or similar activities for any company or entity whose business or product(s) competes with any tobacco product of the Company's affiliate, Philip Morris Incorporated, or the interests of which are adverse to the Company or any of its affiliates.

13. Miscellaneous

- (a) This Agreement and all matters collateral hereto, shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York.
- (b) Contractor shall comply with all applicable laws, regulations, judicial orders and ordinances relating to Contractor's performance of the Agreement and shall comply fully with the policies and procedures set forth in Company's Standards of Conduct for contractors, attached hereto and made a part hereof as Exhibit A. Contractor acknowledges that he is cognizant of the provisions of Title 15, Section 1331, *et seq.* of the United States Code, the Federal Cigarette Labeling and Advertising Act.
- (c) This Agreement is the complete agreement between the parties, supersedes any prior oral or written agreement concerning the subject matter and may be modified, amended or waived only by a separate writing signed by the Contractor and by the Company.
- (d) If any provision of the Agreement is held invalid or unenforceable, the remaining provisions will remain in effect.
- (e) The Agreement may be assigned only by a writing signed by both parties. If an assignment occurs, the assignment will not relieve the assigning party of its liabilities and obligations under the Agreement. The Agreement is binding upon successors and assignees of the parties. A waiver by either party of any term or condition of the Agreement in one or more instances will not constitute a permanent waiver of that term or condition.
- (f) Notices provided shall be in writing and sent by certified mail, return receipt requested. Notices to Contractor will be sent to Mr. Tony Denny at the address first above given. Notices to the Company will be sent to Philip Morris Management Corp., 120 Park Avenue, New York, New York 10017, Attention: Vice President, State Government Affairs.
- (g) Within thirty (30) days of the commencement of this Agreement, Contractor will certify in writing that it:
 - (i) has reviewed thoroughly the matters described in the attached Exhibit F and that it will not, under any circumstances, oppose or cause to be opposed on behalf of the Company or its affiliates the passage of those state or local legislative proposals or administrative rules described in Exhibit F, which are intended by their terms to reduce youth access to and the incidence of youth consumption of tobacco products;
 - (ii) will not support or oppose any state, local or federal legislation or seek to oppose any government action on behalf of the Company or its affiliates without the express authorization of Company (except where advance authorization is not reasonably practicable);
 - (iii) will not on behalf of the Company or its affiliates support or cause to be supported in any manner in the Congress of the United States or in any other forum, legislation or rules that would preempt, override, abrogate or diminish the rights or recoveries of any state of the United States which is a signatory to the "Master Settlement Agreement" executed by the Company's affiliate, Philip Morris Inc. as well as other manufacturers of Tobacco Products and certain signatory states of the United States on 23 November 1998; and
 - (iv) is in compliance with the provisions of Paragraph 13(b) of this Agreement.

DENNY PUBLIC AFFAIRS

By: 

Title: President

Taxpayer ID# [REDACTED]

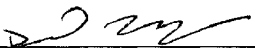
Filing Status: Sole Proprietorship

Date: July 10, 2000

PHILIP MORRIS MANAGEMENT CORP.

By: 

Edmond P. Beauchemin
Regional Director
State Government Affairs

By: 

David G. Laufer
Vice President
State Government Affairs

2080425216

EXHIBIT A

STANDARDS OF CONDUCT

I. Introduction.

The Company expects the highest standard of conduct at all times from Contractor in every aspect of Contractor's business relationships with the Company and third parties. The Standards of Conduct contained in this Exhibit, which is attached to and made a part of Contractor's agreement with the Company (the "Agreement"), set forth certain fundamental principles and policies to which Contractor must adhere in the performance of the Agreement.

Contractor is hereby charged with the responsibility of acquiring sufficient knowledge of the laws relating to its particular obligations and duties. Unlawful conduct will not be condoned under any circumstances. This includes unlawful conduct which occurs in a country which does not enforce a prohibition in its own law or in which the violation is not subject to public criticism or censure. Any violation of the Standards of Conduct will be grounds for termination of the Agreement. Contractor may not use any third party to circumvent the Standards of Conduct.

The Standards of Conduct address several areas of concern, including conflicts of interest, improper payments, business entertainment, business gifts, expense reporting, insider trading, political contributions and confidentiality. These areas of concern are described in more detail below.

II. Compliance.

Contractor is expected to comply in all respects with the Standards of Conduct and all other policies and procedures specified in the Agreement. Accordingly, if Contractor knowingly violates the Standards of Conduct, or knowingly permits an employee or subcontractor to do so, the Company may immediately terminate the Agreement.

Contractor is expected to disclose promptly to the Company any acts or transactions known to Contractor which may be in violation of the Standards of Conduct.

III. Conflicts of Interest.

1. Offer of Payments, Loans, Entertainment and Gifts by Contractor.

Contractor shall not offer or provide any payment, loan, service, gratuity, gift (except as indicated below), personal travel or other favor of more than nominal value (e.g., taxi) to any employee of the Company. In addition, Contractor shall not offer any entertainment to any employee of the Company beyond ordinary and reasonable social amenities.

The Company discourages the offer of gifts to its employees. If a gift is made to an employee in cash, it must be returned at once. If Contractor makes a non-cash gift to an employee and such gift has a retail value of \$250 or less and is the only gift made by Contractor to such employee within a

calendar year, the employee may retain the gift. All other non-cash gifts are subject to the prior written approval of the Company.

Travel and lodging are not included in the limited exceptions granted for entertainment and gifts and may not be offered by Contractor to an employee of the Company without the prior written approval of the Company.

2. Company Employees' Interests in Organizations Doing Business with the Company.

Contractor is ineligible to do business with the Company, and shall not seek to do business with the Company, if any Company employee owns a substantial interest in Contractor's organization and such Company employee is in a position to affect the decision to engage or terminate Contractor or the terms of the Agreement. "Substantial interest" means an economic interest, personal or family, that might influence or reasonably be thought to influence judgment or action, but shall not include an investment representing, in the case of a publicly held company, less than one percent of the estimated value of the outstanding equity securities of the company, or, in the case of a privately owned company, an interest with a value of less than \$25,000.

Prompt disclosure to the Company is required in the event Contractor becomes aware that a Company employee or a member of his or her immediate family has acquired a substantial interest in Contractor's organization. "Immediate family" means family members not more remote than a first cousin, and includes the immediate family of an employee's spouse.

Prompt disclosure is also required where any Company employee or any member of the Company employee's immediate family becomes involved in a transaction between the Company and Contractor wherein a member of the employee's immediate family (as defined above) would benefit or would appear to benefit from this transaction by virtue of his or her position with Contractor. This disclosure will be reviewed and the employee and Contractor will be advised if a conflict or appearance of a conflict is deemed to exist.

IV. Use and Protection of Company Assets.

Contractor shall act in accordance with all policies and procedures as specified in the Agreement relating to expense reporting. Failure to do so will be grounds for termination of the Agreement. The Company expects that business expenses will be reasonable and will be accurately supported by valid receipts where required under the Agreement.

1. Bribes and Other Improper Payments.

No bribes, kickbacks or other unlawful or improper methods of remuneration shall be given to any person. In addition, Contractor shall not make any payment for or on behalf of the Company or with funds provided by the Company to any official of a government or government agency.

2080425218

2. Business Entertainment of and Gifts to Government Officials.

Contractor shall not provide any entertainment or gifts to any government official for or on behalf of the Company or with funds provided by the Company.

3. Political Contributions.

Contractor shall not make any political contribution or expenditure for or on behalf of the Company or with funds provided by the Company.

V. Insider Trading.

Contractor shall not purchase, sell or otherwise trade in securities of the Company or of another corporation while in possession of material non-public information. In addition, Contractor shall not provide material non-public information, directly or indirectly, to anyone. A violation of this provision may lead to civil and criminal penalties against Contractor.

VI. Use of Software.

Contractor shall not engage in the unauthorized duplication of any software owned by or licensed to the Company.

*I have reviewed the standards
of conduct (Exhibit A).*

[Signature]

July 10, 2000

2080425219

EXHIBIT F

POTENTIAL LEGISLATION NOT TO BE OPPOSED

1. Limitations on Youth access to vending machines.
2. Inclusion of cigars within the definition of tobacco products.
3. Enhancement of enforcement efforts to identify and prosecute violations of laws prohibiting retail sales to Youth.
4. Encouraging or supporting use of technology to increase effectiveness of age-of-purchase laws, such as, without limitation, the use of programmable scanners, scanners to read drivers' licenses, or use of other age/ID data banks.
5. Limitations on promotional programs for non-tobacco goods using tobacco products as prizes or give-aways.
6. Enforcement of access restrictions through penalties on Youth for possession or use.
7. Limitations on tobacco product advertising in or on school facilities, or wearing of tobacco logo merchandise in or on school property.
8. Limitations on non-tobacco products which are designed to look like tobacco products, such as bubble gum cigars, candy cigarettes, etc.

I have reviewed the contents of Exhibit F.

James Ray

July 10, 2000

2080425220