

SETTLEMENT AGREEMENT AND RELEASE OF ALL CLAIMS

This Settlement Agreement and Release of All Claims (the "Agreement") is entered into (as of but not necessarily on) the 16th day of February, 2012 by and between the undersigned, BOARD OF DIRECTORS OF THE TOBACCO SETTLEMENT ENDOWMENT TRUST (hereinafter referred to as "BOARD OF DIRECTORS") and the BOARD OF INVESTORS OF THE TOBACCO SETTLEMENT ENDOWMENT TRUST (hereinafter referred to as "BOARD OF INVESTORS"). (The BOARD OF DIRECTORS and the BOARD OF INVESTORS are collectively referred to herein as the "Parties" or severally as a "Party").

WHEREAS, in Okla. Atty. Gen. Op. 2011-11, the Oklahoma Attorney General determined the definition of Trust Fund earnings found in 62 O.S.Supp.2010, §2307, was in irreconcilable conflict with the meaning of earnings in Okla. Const. art. X, § 40, in that the statutory definition did not include capital gains as part of earnings, and therefore the statutory definition of Trust Fund earnings found in 62 O.S.Supp.2010, § 2307 was unconstitutional; and

WHEREAS, the BOARD OF INVESTORS annually certified Trust Fund earnings from fiscal years 2001 to 2010, in accordance with 62 O.S. 2001, §2307, as amended; and

WHEREAS, the BOARD OF INVESTORS believes the amount of Trust Fund earnings that would have been certified from fiscal years 2001 to 2010, had the constitutional definition of Trust Fund earnings been utilized, instead of the method prescribed by 62 O.S. 2001, §2307, would have been an additional \$42,898,847.22; and

NOW THEREFORE, in an effort to resolve their differences the Parties expressly agree as follows:

1. The BOARD OF INVESTORS agrees to hold in reserve in the Trust Fund the amount of \$42,898,847.22 ("Reserve Funds").
2. The Reserve Funds shall be invested in the same manner as the Trust Fund corpus. Earnings on the Reserve Funds shall be certified by the BOARD OF INVESTORS in the same manner as Trust Fund earnings.
3. Notwithstanding the provisions of Okla. Const. art X, §40 F., some or all of the Reserve Funds shall be made available for spending by the BOARD OF DIRECTORS, in any year(s) in which Trust Fund earnings drop below five percent (5%) of the corpus of the Trust Fund. In such years, Reserve Funds may be used in an amount equal to the difference between the actual Trust Fund earnings and five percent (5%) of the corpus of the Trust Fund. The amount of reserve funds needed to make up the difference between the Trust fund earnings and five percent (5%) of the corpus of the Trust Fund will be certified by the BOARD OF INVESTORS.

4. The BOARD OF DIRECTORS, for this and other valuable consideration given by the BOARD OF INVESTORS to the BOARD OF DIRECTORS, does hereby and for itself, and its officers, predecessors, successors and assigns, release, acquit and forever discharge the State of Oklahoma and BOARD OF INVESTORS and its officers, directors, employees, and agents and all others in privity with them, and their employees, agents, successors, and attorneys, of and from all claims, actions, causes of action, demands, rights, damages, costs, property loss, attorney's fees, and compensation whatsoever, which it now has or which may hereafter accrue, on account of or in any way growing out of any and all known and unknown, foreseen and unforeseen damages and injuries and the consequences thereof.
5. It is understood that the consideration offered in compromise and release is not to be construed as an admission of wrongdoing or liability on the part of any parties hereby released, and that the parties deny liability and intend merely to avoid litigation and buy their peace.
6. This Agreement is entered into in good faith. The Parties agree and stipulate that the terms of this Agreement, and the underlying settlement, are fair and appropriate.
7. The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event any provision of this Agreement is held to be invalid, it is agreed that the remaining provisions shall be deemed to be in full force and effect as if they had been executed subsequent to the expungement of the invalid provision.
8. Any modification of this Agreement or additional obligation assumed by any party in connection with this Agreement shall be binding only if in writing signed by each party or an authorized representative of each party.
9. The parties declare that they understand their rights, duties, and obligations under this Agreement and have voluntarily executed this Agreement.
10. The Parties further declare and acknowledge that this Agreement constitutes the entire understanding, agreement and obligation of whatever nature or kind of the parties with regard to the resolution of the BOARD OF DIRECTORS claims against the aforementioned BOARD OF INVESTORS.
11. This Agreement may be executed in separate counterparts.
12. Each of the Parties has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any of the Parties related to such Party's role in drafting this Agreement.

The parties further agree that the terms of this Agreement are contractual and not a mere recital.

(Signatures on following page)

Signature Page to Settlement Agreement and Release of All Claims dated (as of but not necessarily on) the 16th day of February, 2012.

BOARD OF DIRECTORS, TOBACCO SETTLEMENT ENDOWMENT TRUST:

By: Kenneth D Rowe Date: 2-16-2012

Printed Name: Kenneth D Rowe

Its: Chairman BOD

BOARD OF INVESTORS, TOBACCO SETTLEMENT ENDOWMENT TRUST:

By: Ken Miller Date: 2-15-12

Printed Name: Ken Miller

Its: Chairman, BOI