

# Big tobacco to pay \$1.15 billion over contraband tobacco

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OTTAWA — Two of Canada's biggest tobacco companies will pay \$1.15 billion in criminal and civil penalties after pleading guilty to customs charges related to contraband cigarettes and smuggling.

Under a court settlement released Thursday, Imperial Tobacco Canada Limited was fined \$200 million and Rothmans Benson & Hedges (TSX:ROC) \$100 million as part of the criminal charges.

The companies will pay another \$815 million in civil damages to the federal and provincial governments over the next 15 years.

In total, Ottawa will receive \$575 million, with the provinces getting the rest of the \$1.15 billion.

The companies pleaded guilty to "aiding persons to sell and be in possession of tobacco manufactured in Canada that was not packed and was not stamped in conformity with the Excise Act," the RCMP said.

Revenue Minister Gordon O'Connor hailed the settlement and the RCMP said the fines are the largest ever levied in Canada.

"Today's announcement sends a clear message that governments right across Canada are united in their efforts to enforce Canada's tobacco tax laws . . . and fight contraband tobacco in this country," O'Connor told a news conference.

"Together the civil and criminal payments effectively ensure that no monetary benefit was realized as a result of these activities."

Almost immediately following the announcement, Rothmans announced it will be acquired by Philip Morris International Inc. for \$2 billion, or \$30 per share in cash.