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September 12, 2013

MADIGAN: PANEL DENIES BIG TOBACCO CLAIM*Illinois Wins Precedent-Setting Victory over Country's Largest Tobacco Manufacturers*

Chicago — Attorney General Lisa Madigan today applauded a ruling by a panel of arbitrators denying an attempt by the country's largest tobacco manufacturers to avoid paying millions of dollars to Illinois under the state's landmark 1998 tobacco Master Settlement Agreement.

The arbitrators' ruling came in response to a claim by Big Tobacco that Illinois and other states did not diligently enforce a requirement to collect a portion of cigarette sales from small tobacco companies that did not sign on to the settlement. The tobacco manufacturers sought to avoid making a portion of their 2003 payment under the settlement – including \$53 million to Illinois – based on the claim.

“This precedent-setting ruling vindicates our stance that Big Tobacco cannot avoid its obligation to pay Illinois and positions us to resolve our remaining disputes worth hundreds of millions of additional dollars for Illinois,” Madigan said.

Under the 1998 Master Settlement Agreement with Big Tobacco, the companies must pay Illinois and 51 other states and territories billions of dollars each year to help pay for the costs of smoking-related illnesses caused by their products. In turn, the states passed laws requiring smaller tobacco companies that did not sign onto the settlement to pay a portion of cigarettes they sell, which each state reserved in an escrow account to pay for potential costs of future smoking-related illnesses.

In 2003, Big Tobacco sought to recoup more than \$1 billion in payments under the settlement, including \$53 million to Illinois, claiming the states did not diligently enforce collection under their various tobacco statutes and therefore were not entitled to their entire 2003 payment.

The panel of arbitrators in its ruling concluded “Illinois had a strong enforcement environment” that was “very thorough” and “exceeded that of almost every other” state considered by the panel.

The case was handled by Assistant Attorneys General Mark Kaminski, Dalila Bentley, Jennifer Zlotow, Barbara Carroll Delano, Elizabeth Nelson, Katrice Hall and Sarah Smith and Tobacco Enforcement Bureau Chief Marilyn Kueper.

-30-

[Return to September 2013 Press Releases](#)