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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SACRAMENTO
12

13 **PEOPLE OF THE STATE OF CALIFORNIA, ex.**
14 **Rel. BILL LOCKYER, Attorney General of the**
15 **State of California,**

16 Plaintiff,

17 v.

18 **GTC INDUSTRIES, LTD., also known as GOLDEN**
TOBACCO COMPANY, a foreign corporation,

19 Defendant.
20

CASE NO. 06AS03324

**[PROPOSED] JUDGMENT BY
COURT AFTER DEFAULT**

21 THIS MATTER is before the Court on *Plaintiff's Request for Entry of Default*
22 *Judgment* against Defendant GTC INDUSTRIES, LTD., also known as GOLDEN TOBACCO
23 COMPANY, a foreign corporation, (hereafter, "GTC"). This Court has considered *Plaintiff's*
24 *Request for Entry of Default Judgment* and accompanying declarations, papers and exhibits
25 thereto, and the entire record in this matter and hereby finds as follows:

26 1. The Attorney General of the State of California brings this action on behalf of
27 Plaintiff, the People of the State of California, pursuant to California Health and Safety Code
28 section 104557(c), to enforce the reserve fund requirements of California Health and Safety Code

FILED
ENDORSED

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1 sections 104555-104557.

2 2. The Defendant, GTC, is a company that has transacted and is transacting business
3 in California and manufactures cigarettes as defined in California Health and Safety Code section
4 104556(i)(1).

5 3. At least thirty (30) days have passed since the date of service of the Summons and
6 Verified Complaint and GTC has failed to appear and defend in this court.

7 4. GTC was not at the time of service of said Summons and Verified Complaint, nor
8 is now, an infant or minor, a financially incapable, incapacitated or incompetent person, nor in
9 the military service as defined by Article 1 of the "Soldiers' and Sailors' Civil Relief Act of
10 1940" as amended (50 U.S.C. Appen. § 501 et seq.).

11 5. Jurisdiction has been reviewed and is proper pursuant to California Code of Civil
12 Procedure, section 410.10.

13 6. Venue has been reviewed and is proper pursuant to California Code of Civil
14 Procedure section 393.

15 7. GTC has failed and continues to fail and/or refuse to comply or otherwise bring
16 itself into compliance with the reserve fund requirements of California Health and Safety Code
17 sections 104555-104557 and implementing regulations (Title 11, Calif. Code of Reg., §§ 999.10a
18 through 999.14).

19 8. GTC has engaged in and continues to engage in acts of unfair competition as
20 defined in California Business & Professions Code, section 17200, in that GTC has failed to
21 establish the required reserve fund and failed to certify compliance to the Attorney General, in
22 violation of California Health and Safety Code sections 104555, 104556, and 104557 and
23 implementing regulations.

24 9. Notwithstanding notice, GTC failed to establish a Qualified Escrow Fund (as
25 defined in California Health and Safety Code section 104556(f)) and also failed to make the
26 annual deposits as required under California Health and Safety Code section 104557.

27 Accordingly, GTC's actions constitute "knowing" violations.

28 10. GTC has committed two or more knowing violations of California Health and

1 Safety Code section 104557 and is therefore subject to the maximum sanctions and penalties
2 provided for under the reserve fund requirements of California Health and Safety Code section
3 104557.

4 THEREFORE, default having been entered by the clerk against GTC, as requested by
5 Plaintiff, JUDGMENT is accordingly entered in favor of the Plaintiff and against GTC with
6 respect to all claims, AS FOLLOWS:

7 A. GTC shall, within fifteen (15) days of this Order, place into a Qualified Escrow Fund
8 the following amounts as such amounts are adjusted for inflation as required by California Health
9 and Safety Code section 104557(a)(2):

10 **Sales during the year 2002:**

11 **(25,671,900 units x \$0.0136125) plus 12.97355% for inflation for a total of
\$294,795.31.**

12 **Sales during the year 2003:**

13 **(34,374,640 units x \$0.0167539) plus 16.3627565% for inflation for a total of
\$670,133.61.**

14 B. GTC shall, within fifteen (15) days of this Order, pay civil penalties in the amount of
15 300% of the escrow amounts improperly withheld, for a total of \$3,192,986.76 for knowingly
16 violating California Health and Safety Code section 104557(a)(2), (c), by failing to certify to the
17 Attorney General for the State of California that it is in compliance with California's reserve
18 fund statute and for knowingly failing to establish a qualified escrow fund as defined under
19 California Health and Safety Code section 104556(f) and knowingly failing to deposit sufficient
20 escrow funds into a qualified escrow fund as required under California Health and Safety Code
21 section 104557.

22 C. Pursuant to Business and Professions Code section 17206, GTC shall, within fifteen
23 (15) days from the date of this Order, pay a penalty of \$2,500.00 for each violation of Business
24 and Professions Code section 17200 alleged in the Third Cause of Action, for a total assessed
25 penalty of \$50,000 in addition to the penalty specified in Paragraph C of this judgment.

26 D. GTC shall, within fifteen (15) days from the date of this Order, shall appoint an agent
27 for service of process in California (pursuant to Revenue & Taxation Code section 30165.1(f)(1)
28 for enforcement of this judgment and order until this judgment is satisfied, the order is obeyed

1 and the injunction is dissolved.

2 E. The Court shall retain jurisdiction in this matter.

3 F. GTC shall within fifteen (15) days of this Order, pay all Plaintiff's reasonable costs in
4 the amount of \$241.50 pursuant to Government Code section 6103.5 and subject to modification
5 and/or further relief as this Court deems just and proper.

6 G. The Court further orders, as just and appropriate, the following:

7 1) Name/Address of Judgment Creditors:
8 State of California
9 c/o Department of Justice-Office of the Attorney General
10 1300 I. Street
11 P.O. Box 944255
12 Sacramento, CA 94244-2550

13 2) Name/Address/Phone-Judgment Creditor's Attorney:
14 Corinne Lee Murphy, Deputy Attorney General
15 Department of Justice-Office of the Attorney General
16 1300 I. Street
17 P.O. Box 944255
18 Sacramento, CA 94244-2550
19 (916) 323-3795

20 3) Name/Address-Judgment Debtor:
21 GTC INDUSTRIES, LTD.
22 SV Road
23 Vile Parle (West)
24 Mumbai 400056, India

25 4) Principal Amount of Judgment for Escrow: \$1,064,328.92

26 5) Principal Amount of Judgment for Penalties: \$3,242,986.76

27 6) Costs: \$ 241.50

28 7) Post-judgment simple interest at the rate of ten percent (10%) per annum on the
total judgment which consists of items 4 thru 6 from the date of judgment is entered until fully
paid.

IT IS SO ORDERED, ADJUDGED AND DECREED.

Dated: APR 05 2007, 2007

MICHAEL P. KENNY

Judge of the Superior Court