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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO

**PEOPLE OF THE STATE OF CALIFORNIA, ex
rel. BILL LOCKYER, Attorney General of the State
of California,**

Plaintiff,

v.

**SEKAP, S.A., GREEK COOPERATIVE
CIGARETTE MANUFACTURING COMPANY,
S.A., a.k.a. SEKAP, S.A. (SEKAP), a foreign
corporation, and DOES 1 through 100, inclusive,**

Defendants.

FILED
RECORDED
2005 MAR 04 PM 2:41
SACRAMENTO COUNTY

CASE NO. 05AS00644

**NOTICE OF ENTRY OF
JUDGMENT**

1 PLEASE TAKE NOTICE that on March 24, 2006, the Sacramento Superior Court per
2 Judge Shelleyanne W. L. Chang issued a Judgment in the above-captioned action. A true copy of
3 the Judgment is attached hereto as Exhibit A and incorporated by reference herein.

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Dated: April 3, 2006

Respectfully submitted,

BILL LOCKYER
Attorney General of the State of California
THOMAS GREENE
Chief Assistant Attorney General
DENNIS ECKHART
Senior Assistant Attorney General

WILLIAM F. SOOHOO
Deputy Attorneys General
Attorneys for Plaintiff

EXHIBIT A

FILED
ENDORSED

2006 MAR 24 PM 5:39

SACRAMENTO COURTS
DEPT. #53 #54

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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SACRAMENTO

11 **PEOPLE OF THE STATE OF CALIFORNIA, ex**
12 **rel. BILL LOCKYER, Attorney General of the**
13 **State of California,**

14 Plaintiff,

15 v.

16 **SEKAP, S.A., GREEK COOPERATIVE**
17 **CIGARETTE MANUFACTURING COMPANY,**
18 **S.A., a.k.a. SEKAP, S.A. (SEKAP), a foreign**
19 **corporation, and DOES 1 through 100, inclusive,**

20 Defendants.

CASE NO. 05AS00644

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

21 THIS MATTER is before the Court on *Plaintiff's Request for Entry of*
22 *Default Judgment* against Defendant SEKAP S.A. GREEK COOPERATIVE CIGARETTE
23 MANUFACTURING COMPANY, S.A. ("SEKAP"). 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
sections 104555-104557.

1 2. The Defendant, SEKAP, manufactures cigarettes intended for sale in the United
2 States and thus falls within the statutory definition of a "tobacco product manufacturer" as
3 defined in California Health and Safety Code section 104556(i).SEKAP has sold and continues
4 to sell cigarettes (as defined in section 104556(d)) directly or indirectly, to consumers in
5 California and, accordingly, have transacted and are transacting business within the State of
6 California.

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

9 4. SEKAP was not at the time of service of the Summons and Verified Complaint, nor
10 is now, an infant or minor, a financially incapable, incapacitated or incompetent person, nor in
11 the military service as defined by Article 1 of the "Soldiers' and Sailors' Civil Relief Act of
12 1940" as amended (50 U.S.C. Appen. § 501 et seq.).

13 5. Jurisdiction has been reviewed and is proper over SEKAP pursuant to California
14 Code of Civil Procedure, section 410.10.

15 6. Venue has been reviewed and is proper pursuant to California Code of Civil
16 Procedure, section 393.

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

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

25 9. Notwithstanding notice, SEKAP has failed to certify to the Attorney General that a
26 Qualified Escrow Fund (as defined in California Health and Safety Code section 104556(f)) has
27 been established and has failed to make the deposits for its 2003 sales in California as required

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1 under California Health and Safety Code section 104557. Accordingly, SEKAP's actions
2 constitute one or more "knowing" violations.

3 10. SEKAP has committed one or more knowing violations of California Health and
4 Safety Code section 104557 and are therefore subject to the maximum sanctions and penalties
5 provided for under the reserve fund requirements of California Health and Safety Code section
6 104557.

7 **THEREFORE**, defaults having been entered by the clerk against SEKAP, as requested
8 by Plaintiff, **JUDGMENT** is accordingly entered in favor of the Plaintiff and against SEKAP
9 with respect to all claims, **AS FOLLOWS**:

10 A. SEKAP shall, within fifteen (15) days of this Order, establish a Qualified
11 Escrow Fund and place into said fund the following amount as adjusted for inflation per
12 California Health and Safety Code section 104557(a)(2):

13 **Sales during the year 2003:**
14 **(13,055,520 units x \$0.0167539) plus 16.36276% for inflation for a total of**
\$254,517.36

15 B. SEKAP shall, within fifteen (15) days of this Order, provide Plaintiff with
16 a list of the names of all cigarette brands manufactured by SEKAP, as well as unit sales
17 information and supporting documentation for sales in California in 2003.

18 C. SEKAP shall, within fifteen (15) days of this Order, pay civil penalties in
19 the amount of 300% of the escrow amounts improperly withheld, for a total of **\$763,552.08** for
20 knowingly violating California Health and Safety Code section 104557(a)(2), (c), by failing to
21 certify to the Attorney General for the State of California that it is in compliance with
22 California's reserve fund statute and for knowingly failing to establish a qualified escrow fund
23 as defined under California Health and Safety Code section 104556(f) and knowingly failing to
24 deposit sufficient escrow funds into a qualified escrow fund as required under California Health
25 & Safety Code section 104557.

26 D. Pursuant to California Business and Professions Code section 17203,
27 SEKAP are hereby enjoined and otherwise prohibited from selling *any* cigarettes in California,
28 either directly or through a distributor, retailer or other intermediary, *including but not limited to*,

1 the following brands: "Marathon," and "GR." The injunction shall commence from the date of
2 this Order and continue until SEKAP establishes a qualified escrow fund, deposit **\$254,517.36**
3 into said escrow fund and provides to the Attorney General the compliance certification required
4 by sections 104555-104557 and implementing regulations.

5 E. Pursuant to Health and Safety Code section 104557(c)(3), SEKAP is
6 hereby enjoined and otherwise prohibited from selling *any* cigarettes in California, either directly
7 or through a distributor, retailer or other intermediary, *including but not limited to*, the following
8 brand: "Marathon" and "GR." The injunction shall commence from the date of this Order and
9 continue for two years as authorized by section 104557(c)(3).

10 F. After the sales bans imposed by this judgment elapses, SEKAP shall make
11 quarterly deposits into a qualified escrow account fund for two (2) years after SEKAP is
12 permitted to resume selling cigarettes in California, directly or through a distributor, retailer or
13 similar intermediary.

14 G. Pursuant to Business and Professions Code section 17206, SEKAP shall,
15 within fifteen (15) days from the date of this Order, pay a penalty of **\$5,000** pursuant to Business
16 and Professions Code section 17200.

17 H. SEKAP shall, within fifteen (15) days from the date of this Order, shall
18 appoint an agent for service of process in California for any action to enforce any resulting
19 injunction(s) and/or judgment in the within action.

20 I. Defendant shall not resume sales in California until a serial number
21 marking system is approved in writing by the Attorney General and the Board of Equalization.
22 As a condition of resuming sales of cigarettes or tobacco products in California, defendant shall
23 place on each pack of cigarettes or tobacco products sold in California a unique serial number, in
24 standardized form, which identifies the tobacco product's manufacturer and the location and date
25 of manufacture. Pursuant to Revenue and Taxation Code section 30165.1(g)(4), the marking
26 system must provide sufficient information enable the Attorney General and the Board of
27 Equalization to track and audit compliance by defendant.

28 J. For the first 24 months after resuming sales, Defendant shall make

1 quarterly deposits into its Qualified Escrow Fund, as specified in Title II, California Code of
2 Regulations section 999.20(b)(7), and complete and file a Certification of Compliance and Brand
3 Families Unit Sales Schedule 1. Defendant shall pay a penalty of \$2,500 for each Certification of
4 Compliance, Brand Families Unit Sales Schedule that is incomplete or inaccurate, or not filed
5 with the Attorney General by the 20th calendar day after each quarter.

6 K. The Court shall retain jurisdiction in this matter.

7 L. Until the court relinquishes jurisdiction of this matter, Defendant shall
8 recall and remove from the State of California any cigarettes, roll-your-own tobacco or other
9 tobacco products that are contraband because either the brand family or the manufacturer is not
10 listed on the California Tobacco Directory as required by Revenue and Taxation Code section
11 30165.1(e). Defendant shall recall and remove the contraband products within 15 days of
12 discovery by Defendant, itself, or notice by any law enforcement agency as defined in Business
13 and Professions Code section 22971(q) or representative of the California Board of Equalization
14 or the California Attorney General.

15 M. SEKAP shall within fifteen (15) days of this Order, pay all Plaintiff's
16 reasonable costs, including but not limited to filing fees in the amount of **\$241.50** pursuant to
17 Government Code section 6103.5, and Process server's fee of **\$2,800** subject to modification
18 and/or further relief as this Court deems just and proper.

19 N. The Court further orders, as just and appropriate, the following:

20 1) Name/Address of Judgment Creditors:
21 State of California
22 c/o Department of Justice--Office of the Attorney General
23 1300 I. Street
24 P.O. Box 944255
25 Sacramento, CA 94244-2550

26 2) Name/Address/Phone-Judgment Creditor's Attorney:
27 William F. Soo Hoo, Deputy Attorney General
28 Department of Justice--Office of the Attorney General
1300 I. Street
P.O. Box 944255
Sacramento, CA 94244-2550
(916) 323-3795

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- 3) Name/Address-Judgment Debtor:
SEKAP
Xanthi 6th KLM
Kavala Road
GR-67100
Xanthi, Greece

- 4) Principal Amount of Judgment for Escrow: \$ 254,517.36

- 5) Principal Amount of Judgment for Penalties:
 - Health & Safety Code section 104557 \$ 763,552.08
 - Bus. & Prof. Code section 17200 \$ 5,000.00
 - Total Penalties \$ 1,023,069.44

- 6) Costs: \$ 3,041.50

- Grand Total \$1,026,110.94

- 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 Interest is compounded annually.

IT IS SO ORDERED, ADJUDGED AND DECREED.

Dated: MAR 24 2006 2006

JUDGE SHELLEYANNE W. L. CHANG

Judge of the Superior Court