

Swedish Match Manufacturing Agreement

On September 4, 2008, we entered into a manufacturing and distribution agreement with Swedish Match whereby Swedish Match became the exclusive manufacturer of our loose leaf chewing tobacco. Under the agreement, the production of our loose leaf chewing tobacco products was completely transitioned to Swedish Match's plant located in Owensboro, Kentucky on September 18, 2009 and we ceased all loose leaf manufacturing. We source all of the tobacco that Swedish Match uses to manufacture our products along with certain proprietary flavorings and retain all marketing, design, formula and trademark rights over our loose leaf products. We also have the right to approve all product modifications, and are solely responsible for decisions related to package design and branding of the loose leaf tobacco produced for us. Responsibilities related to process control, manufacturing activities and inventory management with respect to our loose leaf products are allocated between us and Swedish Match as specified in the agreement. We also have rights to monitor production and quality control processes on an ongoing basis.

The agreement had an initial ten-year term and will automatically be renewed for five successive ten-year terms unless either party provides at least 180 days' notice prior to a renewal term of its intent to terminate the agreement or unless otherwise terminated by mutual agreement of the parties or in accordance with the provisions of the agreement. If a notice of non-renewal is delivered, the contract will expire two years after the date on which the agreement would have otherwise been renewed. The terms allow the agreement to be assumed by a buyer or it may be terminated for uncured material breach, or terminated by the Company subject to a buyout. We also hold a right of first refusal to acquire the manufacturing plant as well as Swedish Match's chewing tobacco unit.

JJA Distributors Service Agreement

On April 1, 2013 we entered into an agreement with JJA to source our *Zig-Zag*[®] branded cigars and cigarillos and other products from the Dominican Republic. Under the agreement, JJA and its Dominican Republic partner purchase and inventory all of the necessary raw materials, including packaging bearing our intellectual property, manufacture to our specifications and deliver to our designated U.S. distribution center. We retain all marketing, design and trademark rights over our cigar products.

Patents, Trademarks and Trade Secrets

We have numerous registered trademarks relating to our products, including: *Beech-Nut*[®], *Trophy*[®], *Havana Blossom*[®], *Durango*[®], *Stoker's*[®], *Tequila Sunrise*[®], *Fred's Choice*[®], *Old Hillside*[®], *Our Pride*[®], *Red Cap*[®], *Tennessee Chew*[®], *Big Mountain*[®], *Springfield Standard*[®], *Snake River*[®] and *VaporBeast*[™]. The registered trademarks, which are significant to our business, expire periodically and are renewable for additional 10-year terms upon expiration. Flavor and blend formulae trade secrets relating to our tobacco products, which are key assets of our businesses, are maintained under strict secrecy. The *Zig-Zag*[®] trade name and trademark for premium cigarette papers and related products are owned by Bolloré and have been exclusively licensed to us in the U.S. and Canada. The *Zig-Zag*[®] trade name and trademark for e-cigarette and vaporizers are also owned by Bolloré and have been exclusively licensed to us in the U.S. We own the *Zig-Zag*[®] trademark with respect to its use in connection with products made with tobacco, including without limitation, cigarettes, cigars and MYO cigar wraps in the U.S.

Production and Quality Control

We use proprietary production processes and techniques, including strict quality controls. Our quality control group routinely tests the quality of the tobacco, flavorings, application of flavorings, premium cigarette papers, tubes and injectors, cigars, MYO cigar wraps, liquid vapor products, tobacco vaporizer products and packaging materials. We utilize sophisticated quality control to test and closely monitor the quality of our products. The high quality of our tobacco products is largely the result of using high-grade tobacco leaf and food-grade flavorings and an ongoing analysis of tobacco cut, flavorings and moisture content together with strict specifications for sourced products.

Given the importance of contract manufacturing to our business, our quality control group ensures that established written procedures and standards are adhered to by each of our contract manufacturers. Responsibilities related to process control, manufacturing activities, quality control and inventory management with respect to our loose leaf were allocated between us and Swedish Match under the manufacturing agreement.

Research and Development and Quality Assurance

We have a research and development and quality assurance function that tests raw materials and finished products in order to maintain a high level of product quality and consistency. The research and development is also