EXPERT WITNESS REPORT CONFIDENTIAL

FORENSIC ACCOUNTING ANALYSIS

Case: Peterson v. Lucky Strike Tobacco Company
Expert: Dr. Michael Harrison, CPA, CFE, CFF
Date: February 10, 2025

EXPERT QUALIFICATIONS:

- Ph.D. in Accounting, Stanford University
- Certified Public Accountant (CPA) - 25 years
- Certified Fraud Examiner (CFE)
- Certified in Financial Forensics (CFF)
- Former SEC Senior Investigator (1995-2005)
- Testified in over 150 federal and state court cases
- Published 45 articles on forensic accounting
- Professor of Forensic Accounting, NYU Stern School

ASSIGNMENT:

I was retained by plaintiff's counsel to analyze the financial records and accounting practices of Lucky Strike Tobacco Company for the period 1970-2010 to determine:

1. Whether the company concealed health research costs
2. The economic benefit derived from non-disclosure
3. Appropriate disgorgement and restitution amounts

DOCUMENTS REVIEWED:

1. Audited financial statements (1970-2010)
2. General ledger and subsidiary accounts
3. Research and development expenditure records
4. Internal accounting memoranda and policies
5. Board meeting minutes regarding research
6. SEC filings and quarterly reports
7. Insurance policies and claims documentation
8. Marketing and advertising expenditure records
9. Legal settlement and judgment payments
10. Stock price and trading volume data

METHODOLOGY:

1. Comparative analysis with industry accounting standards
2. Trend analysis of research expenditures vs. disclosures
3. Statistical correlation between research findings and stock performance
4. Present value calculations of economic benefits
5. Market impact analysis of disclosure timing

KEY FINDINGS:

1. CONCEALED RESEARCH EXPENDITURES:
Analysis reveals that Lucky Strike systematically misclassified health research costs as "general