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**Appellate Court Unanimously Upholds Lower Court Decisions
In Favor of R.J. Reynolds in Trademark and Antitrust Case**

Winston-Salem, N.C. - August 24, 2006 – R.J. Reynolds Tobacco Company is pleased with today’s unanimous decision by the 7th Circuit Court of Appeals to uphold two jury verdicts in favor of the company.

The appellate ruling upholds R.J. Reynolds’ successful trademark case against Cigarettes Cheaper!, a retailer headquartered in Benicia, Calif. The appellate court also upheld R.J. Reynolds’ successful defense of an antitrust case brought by the retailer.

“It’s a double win for R.J. Reynolds,” says Darryl R. Marsch, senior counsel for R.J. Reynolds. “The appellate court confirmed that R.J. Reynolds did not conspire or discriminate against the plaintiff, and the court upheld the company’s verdict against Cigarettes Cheaper! for importing foreign cigarettes into the U.S. in violation of R.J. Reynolds’ trademark rights.”

On May 5, 2004, a jury in U.S. District Court for the Northern District of Illinois awarded R.J. Reynolds \$3.6 million in damages for trademark infringement committed by Cigarettes Cheaper!

On Oct. 15, 2004, the jury unanimously ruled in favor of R.J. Reynolds in the antitrust suit brought against the company by Cigarettes Cheaper!

R.J. Reynolds Tobacco Company, an indirect subsidiary of Reynolds American Inc. (NYSE: RAI), is the second-largest tobacco company in the United States, manufacturing about one of every three cigarettes sold in the country. The company’s brands include five of the 10 best-selling U.S. cigarette brands: Camel, Kool, Winston, Salem and Doral. For more information, visit www.RJRT.com.