RJReynolds

Governor Bredesen's Decision to Veto Equity Fee Legislation
A Loss for Tennessee

Winston-Salem, N.C. – June 22, 2005 - In a move that could result in the loss of millions of dollars in revenue for the state, Tenn. Gov. Phil Bredesen recently vetoed legislation placing an equity assessment on tobacco manufacturers who are not signatories to the Master Settlement Agreement (MSA) and do not make settlement payments to the state.

"The bill that was overwhelmingly approved by the state legislature was based on solid constitutional grounds," said Tommy Payne, executive vice president of external relations for R.J. Reynolds Tobacco Company. "As passed by the Tennessee legislature, and enacted into law in four other states, this legislation is consistent with the MSA and would have generated needed revenue for the state."

All of the MSA states, including Tennessee, have lost billions of dollars in revenue because some cigarette manufacturers are not part of the settlement agreement. A group calling itself the Council of Independent Tobacco Manufacturers of America (CITMA) led opposition to the equity fee legislation.

"It was not the intent of the MSA to create price inequity among the cigarette manufacturers," Payne says. "If you look at the exponential growth these non-participating manufacturers have experienced in recent years, the effect of the price differential is obvious. Legislators understand they have a vested interest in addressing this because their states are loosing settlement dollars as a result.

"Additionally," Payne continues, "these non-participating manufacturers could simply choose to sign-on to the MSA. If they did that, they wouldn't have to pay the equity fee or make the escrow deposits they claim are 'at a much higher rate than the tobacco companies that settled with the states make.'"

R.J. Reynolds Tobacco Company (R.J. Reynolds) is an indirect wholly owned subsidiary of Reynolds American Inc. (NYSE: RAI). R.J. Reynolds is the second-largest tobacco company in the United States, manufacturing about one of every three cigarettes sold in the United States. R.J. Reynolds' product line includes five of the nation's 10 best-selling cigarette brands: Camel, Winston, Kool, Salem and Doral. For more information about R.J. Reynolds, visit the company's Web site at www.RJRT.com.

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