



**R.J. Reynolds Tobacco Company alleges fraud, files multi-million dollar suit
Against various wholesalers, retailers and individuals**

Winston-Salem, N.C., Sept. 23, 2005 – R.J. Reynolds Tobacco Company has filed a multi-million dollar lawsuit in U.S. Federal Court for the Western District of North Carolina. The suit alleges that various wholesalers, retailers and other individuals conspired to defraud the company.

“This suit is about stopping fraud, recovering our damages and sending the message that we will vigorously pursue those who have been and continue to be engaged in fraudulent activities related to our ‘buy-down’ and coupon programs,” said Jim Beckett, senior counsel for R.J. Reynolds. “We have been investigating these activities for quite some time and will prove the fraud committed against our company. We look forward to recovering our damages and ultimately stopping these schemes.”

Several retailers that have admitted a role in the schemes are cooperating with R.J. Reynolds. Other wholesalers, retailers and individuals that may have been involved in this conspiracy may be named as defendants at a later date.

R.J. Reynolds conducts buy-down and coupon promotion programs to provide adult smokers with discounts on cigarettes purchased at retail. In the complaint, totaling more than 140 pages, the company outlines, among other things, how the defendants diverted buy-down money to their own pockets through the use of fraudulent cigarette orders and sales invoices. The complaint further sets forth that certain of the defendants used improperly obtained coupons, in lieu of cash, to purchase R.J. Reynolds’ discounted cigarettes from the retailer defendants who were authorized by the company to accept such coupons.

The complaint outlines allegations that the defendants are guilty of racketeering, unfair and deceptive trade practices, civil conspiracy, as well as additional counts. The company is seeking more than \$20 million in

compensatory damages and attorneys' fees. Compensatory damages awarded under federal and state racketeering or state unfair trade practice counts can be tripled.

Wholesalers, retailers and individuals currently named in the suit include:

- Market Basket Food Stores, Inc. - Taylorsville, N.C.
- Stephen Hunt – owner and operational manager of Market Basket Food Stores, Inc.
- RJ Marketing, Inc. - Kingsport, Tenn.
- Jason Carpenter – co-owner and operational manager of RJ Marketing, Inc.
- Ronald Clark – co-owner of RJ Marketing, Inc.
- J&L Distributors – Weber, Va.
- Foster Qualls – owner of J&L Distributors
- Dave's Distributing – Troutman, N.C.
- Dave Ritchie – owner of Dave's Distributing
- Appalachian Oil Company, Inc. (APPCO) – Blountville, Tenn.
- Jeffrey H. Benedict – president of APPCO
- Daniel Blackburn – president of convenience store operations for APPCO
- MAP of Virginia d.b.a. Wholesale House Tobacco Outlet (WHTO) – Abingdon, Va.
- Michael Patrick – owner of WHTO
- Hileman Tobacco Stores – Saint Paul, Va.
- Danny Hileman – owner of Hileman Tobacco Stores
- BCW Properties d.b.a. Holiday Foods – Wilkesboro, N.C.
- James Crump – owner of Holiday Foods
- DWI, LLC – Russell, Ky.
- Hobart Anderson – owner of DWI, LLC

[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.

###