RJReynolds

R.J. Reynolds Says Appellate Ruling Dramatically Transforms DOJ Lawsuit;
Government Cannot Seek Disgorgement

Winston-Salem, N.C. – Feb. 4, 2005 – A federal appellate court today ruled that the U.S. government cannot continue to seek disgorgement from the tobacco industry in the suit filed by the Department of Justice (DOJ) against the nation's major cigarette manufacturers. In doing so, the court struck down the DOJ's claim that the manufacturers could be forced to disgorge $280 billion because of past racketeering activity.

"We are extremely pleased that the appellate court agreed with our long-held belief that disgorgement is not an appropriate remedy in civil RICO suits, such as this," said Charles A. Blixt, executive vice president and general counsel for R.J. Reynolds Tobacco Company, on today's ruling by the U.S. District Court of Appeal for the District of Columbia. "This ruling dramatically transforms the DOJ suit.

"While we continue to believe that no remedies are warranted under the facts of this case," he said, "with the threat of disgorgement removed, the principal remedies still available to the government are forward-looking measures. These would include marketing and sales restrictions already put in place by our company and others under the Master Settlement Agreement."

In its ruling that the lower district court erred, the appellate court found that "…we can find no justification for considering any order of disgorgement…" Adding, "We need not twist the language to create a new remedy not contemplated by the statute."

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.](http://www.RJRT.com)