

Contact: David Howard
(336) 741-3489

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R.J. Reynolds Tobacco Company Makes 2006 Master Settlement Agreement Payment

Winston-Salem, NC – April 17, 2006 – R.J. Reynolds Tobacco Company today satisfied its full \$2.016 billion annual payment obligation for 2006 as specified in the Master Settlement Agreement (MSA).

The MSA is an agreement reached in 1998 among 46 states, the District of Columbia, Puerto Rico and four U.S. territories and the major tobacco companies. As agreed to by all the signatories, a tobacco company is due a credit against its annual payment if the disadvantages imposed by the MSA were a significant factor in the participating manufacturers losing market share. Last month, an independent economic consulting firm hired by the states and the tobacco companies made such a determination with respect to 2003.

The MSA provides that the independent determination is final and a credit is due. The states disagree. As a result, and following the process specified in the MSA, a portion of R.J. Reynolds' payment was deposited into a "disputed payments" account. The approximately \$647 million deposited into this special escrow account will remain there pending final resolution of application of the credit.

"We are following the process that all parties understood and agreed to when they signed the MSA in 1998," says Charles A. Blixt, executive vice president and general counsel for R.J. Reynolds. "We remain committed to the MSA and will continue to live up to both the letter and spirit of the agreement," he said.

The states that will ultimately bear the impact of the credit are those who have not fulfilled their MSA obligations. R.J. Reynolds believes the MSA requires that binding arbitration be used to determine which states those are. Two state courts have ruled that such matters should indeed be arbitrated.

R.J. Reynolds Tobacco Company and its affiliated companies have made more than \$16 billion in settlement payments to the states since the agreement was signed in 1998. In addition, the MSA imposes substantial restrictions on the marketing, advertising and conduct of the participating tobacco companies.

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Editors Note: A R.J. Reynolds Tobacco Company representative will be available for broadcast and other interviews in Washington, D.C. on Monday, April 17, 2006. To schedule an interview, call David Howard at 336-741-3489.

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.