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**California Supreme Court Affirms Dismissal of Class Action
Against R.J. Reynolds Tobacco Company**

WINSTON-SALEM, N.C. – August 2, 2007 – R.J. Reynolds Tobacco Company is pleased with the unanimous decision by the California State Supreme Court affirming a lower court’s dismissal of a class action lawsuit against the company and other major U.S. cigarette manufacturers. The decision overruled a California Supreme Court decision from 1994.

The action, brought by Devin Daniels, was filed on behalf of all California resident minors (under the age of 18) who smoked one or more cigarettes between April 2, 1994, and Dec. 31, 1999, and who were exposed to the defendants’ marketing and advertising activities in the state during that period.

“The Court’s decision recognized that our advertising is protected by the First Amendment,” says Martin L. Holton III, senior vice president and general counsel for R.J. Reynolds. “It is a guiding principle of our company that we do not want minors to smoke, and we advertise our brands only to adult smokers.”

Originally heard in San Diego Superior Court, the defendants’ motion for summary judgment on First Amendment and preemption (Federal Cigarette Labeling and Advertising Act) grounds was granted. The decision was later upheld by the intermediate appellate court.

In its ruling, the State Supreme Court stated that the free speech guarantee of the First Amendment applies: “Defendants’ cigarette advertising concerns lawful activity because it is addressed to adults who can legally purchase and use cigarettes...”.

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 six of the 10 best-selling U.S. cigarette brands: Camel, Kool, Pall Mall, Winston, Salem and Doral. For more information, visit www.RJRT.com.

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