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**Federal Appellate Court Upholds Dismissal of Antitrust Lawsuit
Against R.J. Reynolds Tobacco Company**

WINSTON-SALEM, N.C. – Feb. 27, 2007 – R.J. Reynolds Tobacco Company is pleased with the decision by the 6th Circuit Court of Appeals to uphold a lower court’s ruling dismissing an antitrust lawsuit brought by Smith Wholesale Co., Inc. of Tennessee and 18 other wholesalers claiming that R.J. Reynolds’ Wholesale Partners Program (WPP) is discriminatory.

“Previously, the court upheld R.J. Reynolds’ right to choose its own distributors, and today it confirmed the legality of our program, which rewards distributors for selling more of our brands,” said Robert D. Stowe, senior vice president of trade marketing for R.J. Reynolds.

In affirming the lower court’s decision to dismiss, the appellate court stated: “As the district court properly found, the WPP’s market-share discount was offered to all wholesalers using a non-discriminatory formula. It was therefore functionally available to plaintiffs not only in theory, but in fact.”

Darryl R. Marsch, senior counsel for R.J. Reynolds commented: “Antitrust experts generally recommend market-share based discount programs like R.J. Reynolds’ because they are ‘size-blind.’ This appellate ruling confirms that view.”

The plaintiffs had sought unspecified damages in the suit.

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.

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