RJReynolds

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R.J. Reynolds Tobacco Company Makes 2008 Master Settlement Agreement Payment

Winston-Salem, NC – April 15, 2008 – R.J. Reynolds Tobacco Company today satisfied its full $2.251 billion annual payment obligation for 2008 as specified in the Master Settlement Agreement (MSA).

As agreed to by all MSA signatories, a tobacco company is due a credit against its annual payment if it is determined that the disadvantages imposed by the MSA were a significant contributing factor in the participating manufacturers losing market share to non-participating manufacturers (NPM) in a particular year. That determination was recently made by an independent economic consulting firm, hired jointly by the states and the tobacco companies, in connection with the 2005 market year. The Settling States dispute that R.J. Reynolds and the other tobacco manufacturers are entitled to these credits.

Following the process specified in the MSA, approximately $431 million of R.J. Reynolds' 2008 payment was deposited into a "disputed payments" account. This marks the third year R.J. Reynolds has deposited a portion of its payment into this special escrow account. To-date the company has deposited more than $1.6 billion into the disputed payments account.

"It is our position that the MSA requires that payment disputes, such as the ones relating to the 2003, 2004 and 2005 NPM Adjustments, should be resolved through binding arbitration before a single panel of three former federal judges," says Martin L. Holton III, general counsel for R.J. Reynolds. "For almost two years, we have been litigating with the states over whether our dispute relating to the 2003 NPM Adjustment should be submitted to arbitration. Forty-seven of the 48 state courts to address the issue have ruled in our favor. It's time for the states to comply with their obligations under the MSA and move forward with a nationwide arbitration of this dispute."

R.J. Reynolds Tobacco Company has made nearly $ 20.2 billion in MSA 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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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, Pall Mall, Winston and Doral. For more information, visit www.RJRT.com.