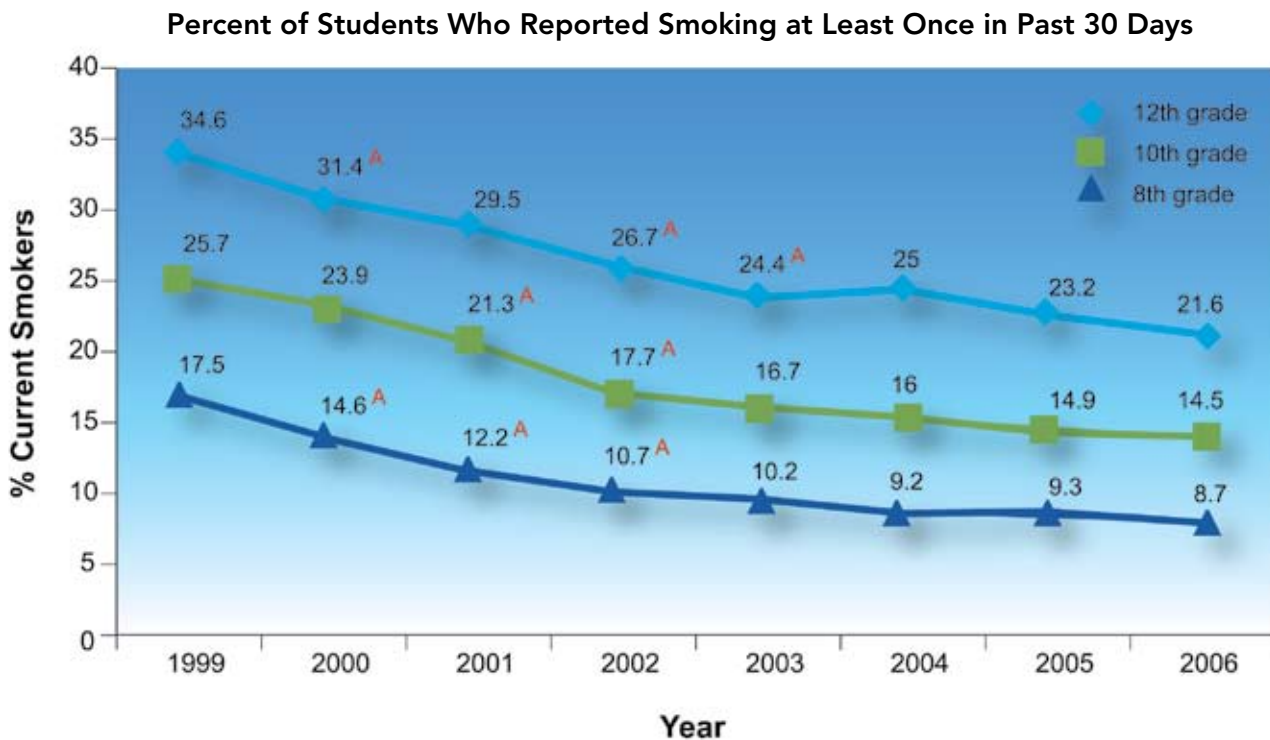


The MSA and the Settlement Agreements with the previously settled states, collectively known as the Tobacco Settlement Agreements (TSAs), have brought about the kind of meaningful change that governments and the public health community had long sought in the tobacco business. From marketing to youth smoking prevention, from industry lobbying to communications about the health consequences of smoking, the agreements impose restrictions on the Participating Manufacturers.

The TSAs created fundamental changes in how tobacco products are advertised and marketed in the United States. The agreements include a variety of restrictions on the advertising and marketing of cigarettes or smokeless tobacco products, including prohibiting any Participating Manufacturer from taking any action, directly or indirectly, targeting youth in the advertising, marketing or promotion of tobacco products.

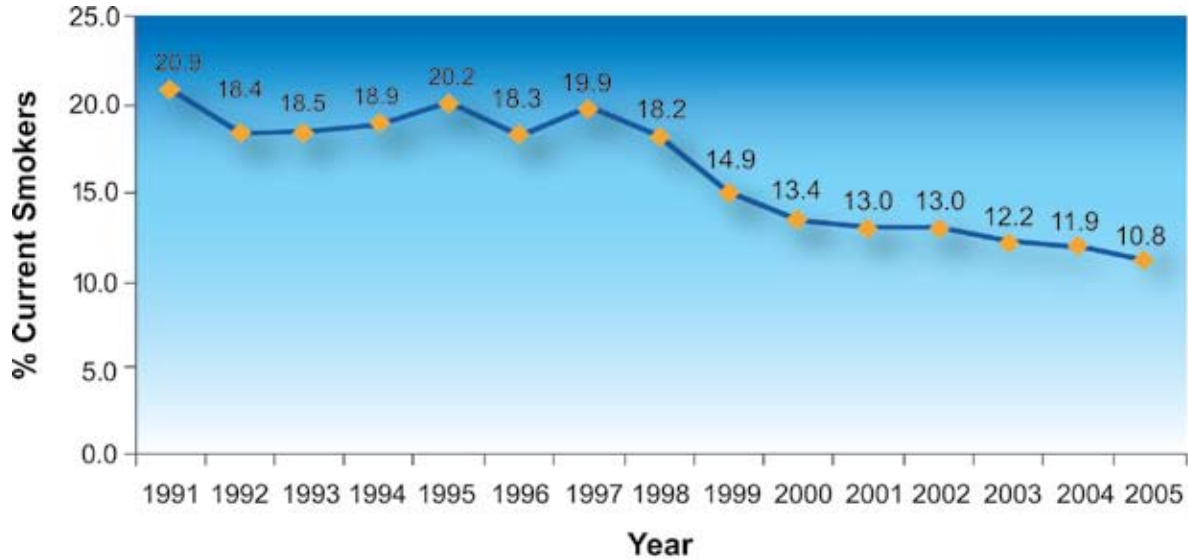
Reported Youth Smoking Rates Have Declined



A = significant change @ 95% versus previous year

Source: *Monitoring the Future*, Institute for Social Research - University of Michigan, 2006.

Percent of 12-17 Year Olds Who Reported Current Smoking

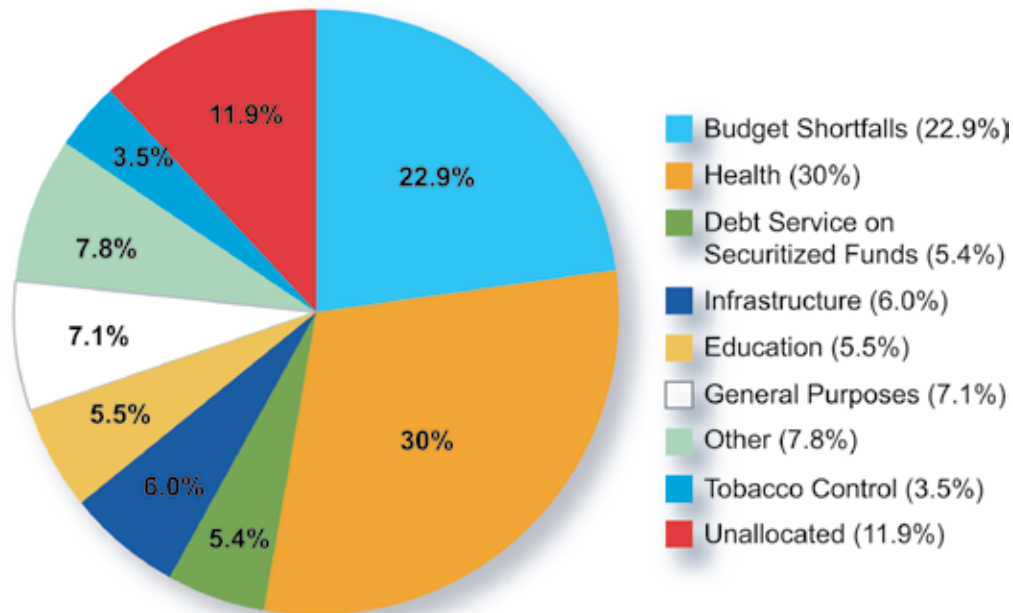


Source: National Survey on Drug Use and Health: National Findings (Dept. of Health and Human Services, Substance Abuse and Mental Health Services Administration, 2005).

How the States Use MSA Dollars

The MSA provides states with funding that is available for youth smoking prevention and other programs. It requires Participating Manufacturers to make ongoing payments to the states in perpetuity. As of May 2007, the Original Participating Manufacturers and the Subsequent Participating Manufacturers paid approximately \$45 billion. In addition, the OPMs made initial up-front

payments to the MSA states totaling over \$10 billion. The OPMs also have paid approximately \$16.4 billion to the four previously settled states of Florida, Minnesota, Mississippi, and Texas from 1998-2007. As the chart below shows, the states use MSA revenue for a variety of purposes.



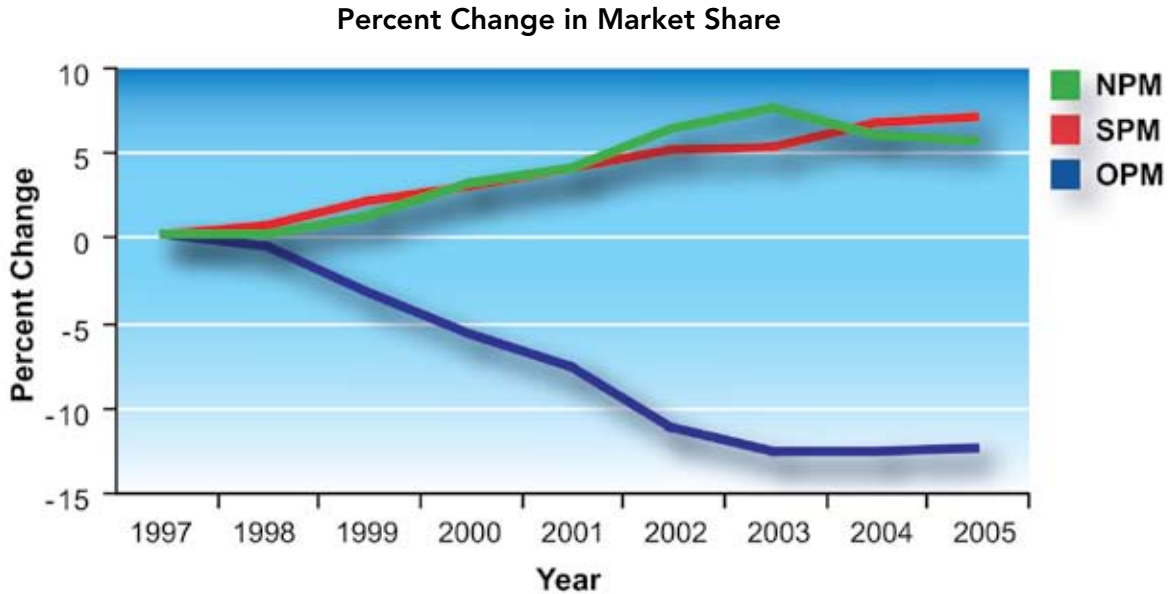
"States' Allocations of Master Settlement Agreement Payments and Securitized Proceeds by Category, as a Percent of Total Allocations, Fiscal Years 2000-2005."

Source: "Tobacco Settlement: States' Allocations of Payments from Tobacco Companies for Fiscal Years 2000-2005," GAO Testimony Before the Committee on Health, Education, Labor and Pensions, U.S. Senate, Feb. 27, 2007.

Industry Has Changed

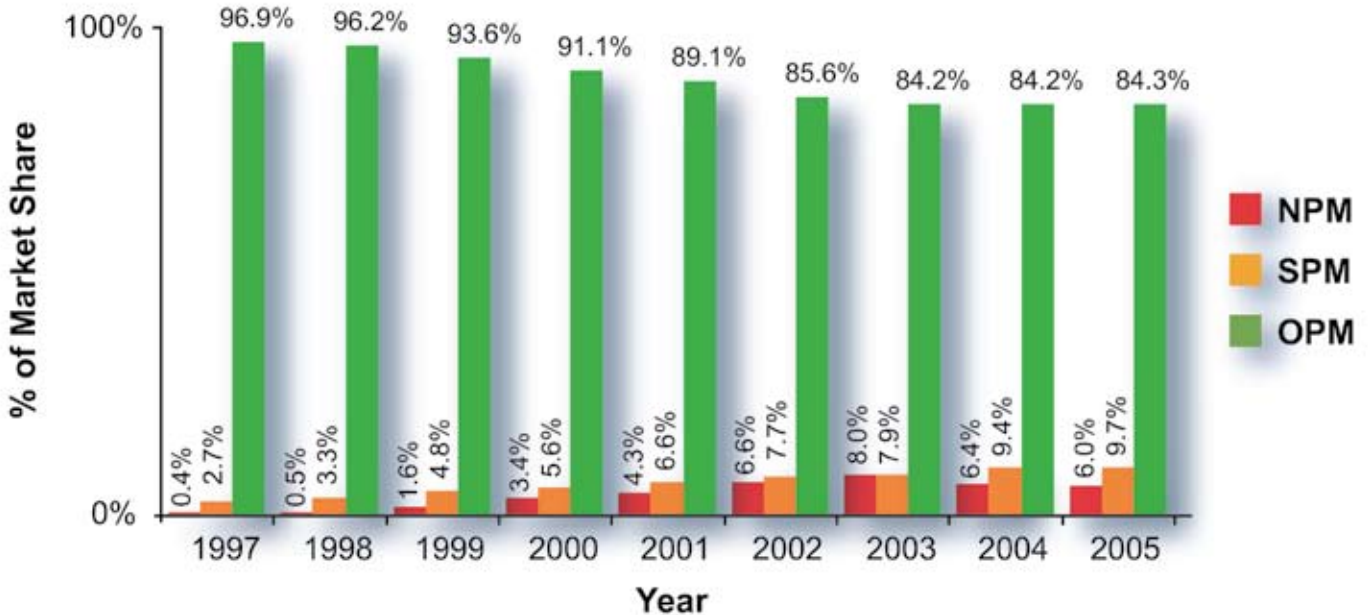
The industry also has changed. Not only have the Original Participating Manufacturers gone from four to three since the merger of R.J. Reynolds Tobacco Co. and Brown & Williamson, but the number of Sub-

sequent Participating Manufacturers has increased to over 40, and the number of Non-Participating Manufacturers has also grown in number and market share.



Source: Market Shares based on PwC data (MSA Annual Payment Calculations Made by PwC).

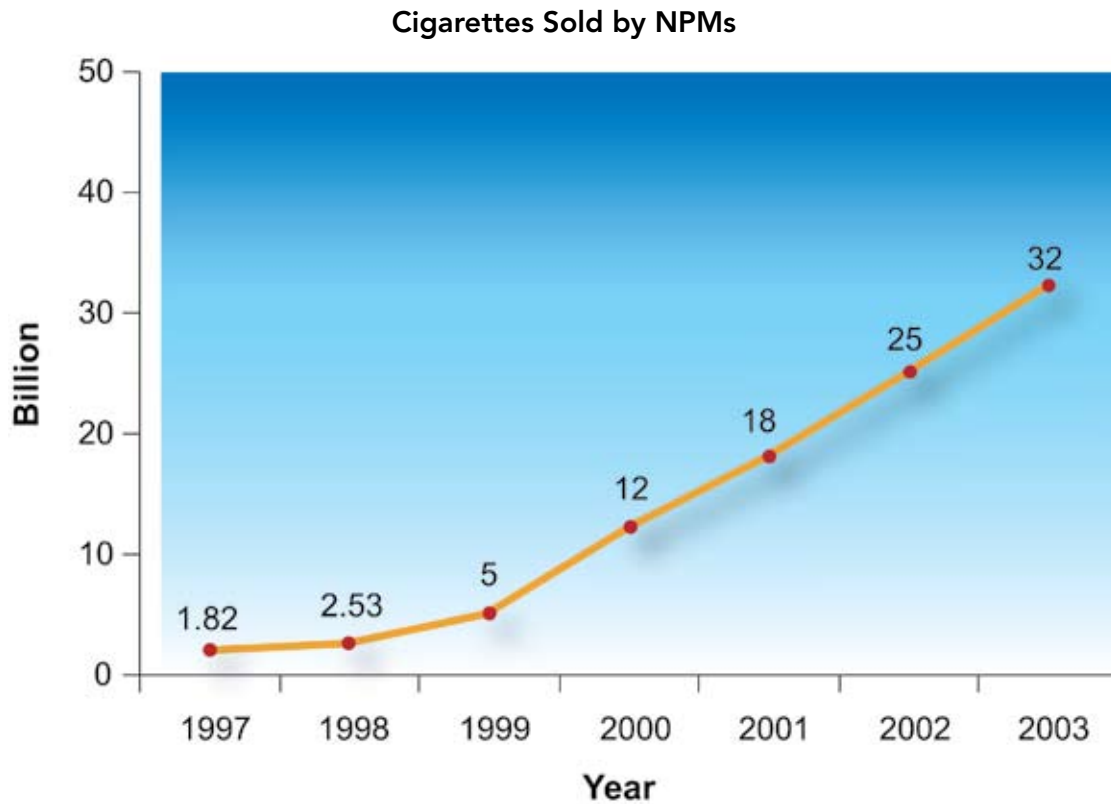
OPM, SPM and NPM Market Shares
(Yearly)



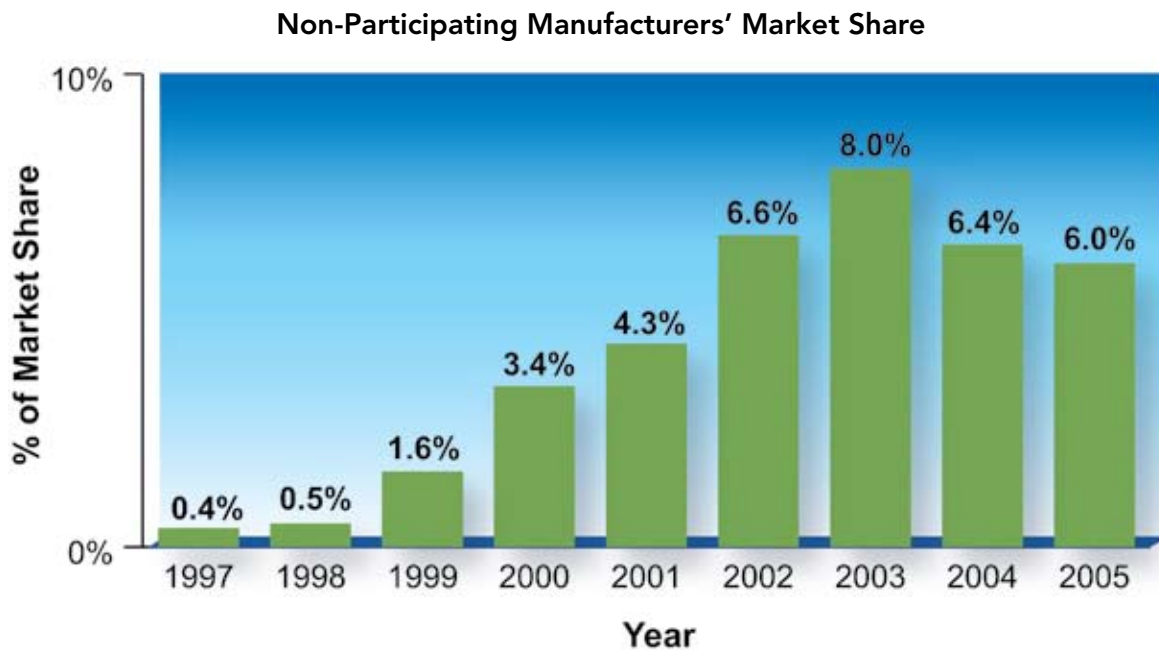
Source: Market Shares based on PwC data (MSA Annual Payment Calculations Made by PwC).

NPM Sales Have Grown

In 1997, companies that did not join the MSA sold less than 2 billion cigarettes nationwide. By 2003, such companies sold approximately 32 billion cigarettes.



Source: Presentation by Michael Herring, Counsel for the National Association of Attorneys General's Tobacco Project.



Source: Market Shares based on PwC data (MSA Annual Payment Calculations Made by PwC).