

RESPONSE FROM REYNOLDS AMERICAN:

1. The Kentucky burley tobacco farmers we interviewed for the documentary told us that they feel abandoned because less tobacco is being purchased from them and contracts are increasingly being cancelled. What is your response?

RAI response: These growers may have been referring to other companies, not RAI and its operating companies, because in 2011 our contract volumes for burley tobacco and the number of growers we have under contract, remained flat compared to 2010. We currently have around 1400 burley growers under contract.

That said, cigarette sales have been declining in the U.S. since the early 1980s. Reynolds American Inc. (RAI) operating companies purchase tobacco based on their business needs. As industry cigarette sales volumes decline at a rate of approximately 3% annually, this trend results in lower demand for tobacco from the farmers.

We have a very good relationship with our contract growers, whom we believe are the best in the business.

2. The World Lung Foundation has been critical of your marketing push in places with lax smoking regulations and unsophisticated populations. Among other things, Dr. Neil Schluger says, "In the developing world, these populations are, in a sense, much more defenseless than populations in the United States. There's much less government regulation. The populations there (emerging markets) are much more vulnerable to what the tobacco companies are trying to do." How do you respond?

RAI response: RAI and its subsidiaries have a very limited cigarette business outside the U.S. – we are primarily a domestic tobacco company. Only Santa Fe Natural Tobacco Company's super-premium Natural American Spirit brand has some limited distribution in a few countries outside the U.S. We do not own the international trademarks for the brands we market in the U.S.

3. What is your response to critics who believe images of smoking in movies and television contribute to youth smoking?

RAI response: We believe minors should never use tobacco products and we support the decision by the film rating board to consider smoking as a factor – among many other factors, including violence, sexual situations and language – in the rating of films to assist parents in making decisions about what movies are appropriate for their children.

Since 1999, tobacco manufacturers have been prohibited from providing payments for, or permission or promotional materials for, or otherwise facilitating the placement and/or appearance of cigarettes or cigarette advertising in films.

In practice, R.J. Reynolds Tobacco Company had declined all such requests for many years prior to the Master Settlement Agreement in 1999.

4. According to the National Survey on Drug Use and Health, 80% of smokers try their first cigarette before age 18 and nearly 90% begin before age 20. The Office of Applied Studies states that 73% of youth smokers begin smoking before age 14. What about the assertion, by critics, that you are marketing to children?

RAI response: Any assertion that we market to minors is completely unfounded. It is a guiding principle of the company that minors should never use tobacco products. Our marketing programs are designed for and communicate with adult tobacco consumers and this is the only audience we wish to communicate with.

In fact, according to the University of Michigan's long-running "Monitoring the Future" survey, youth smoking rates are now about half what they were just a decade ago, which is significant progress. We'd like to see that trend continue and accelerate.

5. How do you characterize your efforts to curb smoking in young people?

RAI response: We believe as one of our guiding principles and beliefs that minors should never use tobacco products. As part of the company's efforts to prevent tobacco use among minors, the company has funded its **Right Decisions, Right Now** youth tobacco use prevention program which address three key audiences:

- Educators of students in grades 5-9, (the ages during which experimentation begins for many behaviors, including tobacco use) to help equip them with tools to aid students with making the decision to be tobacco free;
- Parents and Grandparents, to help them communicate a youth tobacco prevention message to their children/grandchildren; and
- Retailers, to help them comply with minimum-age laws.

Right Decisions, Right Now ("RDRN") was first developed in 1991. Lifetime Learning Systems Inc., along with other independent experts, assisted with the development of the program. RDRN has been updated several times since it was first created. Thousands of schools nationwide have received RDRN program materials and all program materials are provided free of charge to educators,

parents and guardians and others interested in reducing youth tobacco use. For more information, go to <http://rightdecisionsrightnow.com>

In addition, R.J. Reynolds Tobacco Company has made payments totaling around \$24 billion over the last 11 years to the states pursuant to the Master Settlement Agreement. These funds are available to the states to support youth tobacco prevention programs, smoking cessation programs or any other related initiatives that the states choose to fund.

6. Stanton Glantz, Director of the Center for Tobacco Control Research and Education, stated in an interview that tobacco companies sometimes scan drivers' licenses at tobacco-sponsored events and use the information for targeted marketing efforts. Can you confirm that your company does this?

RAI response: R.J. Reynolds Tobacco Company (RJRT) restricts its mailing list, communicating only to age-verified adult smokers 21 years of age or older who have certified they want to receive materials from us through the mail. We do not buy or rent lists that were developed for other purposes (e.g., magazine-subscriber lists). We believe that having controls on direct mail is vital because we sell an age-restricted product which causes disease. We don't want to send direct-mail materials to youth, non-smokers or adult smokers who do not wish to receive mail from us. No one is added to our mailing list unless they ask to be *and* they can successfully pass through a system of eligibility controls, including third-party verification of their age.

These and additional Direct-to-Consumer Safeguards are listed on our website at <http://www.rjrt.com/consafeguards.aspx>