

***R.J. Reynolds Tobacco Company issued the following statement today in response to the Department of Justice announcement that it has filed a federal lawsuit against the tobacco industry.***

We don't believe the federal government has any basis for filing a lawsuit against the tobacco industry. We will vigorously defend against this suit in court; we are not going to settle it. We believe that when the law is applied and the case is judged on its merits – not on rhetoric or sound bites – the courts will find that the Justice Department doesn't have a valid case against the tobacco industry.

Consider these facts:

- By its own admission, the government's case is weak. In fact, at a 1997 Senate hearing, Attorney General Janet Reno said: "The federal government does not have an independent cause of action."
- The Master Settlement Agreement signed by state attorneys general and tobacco companies in November 1998 has already comprehensively addressed the major issues regarding cigarette marketing and has made unprecedented funds available to states to address smoking issues.
- In addition to lacking legal merit, the economic basis for this suit is flawed.
  - The government already makes more money per pack of cigarettes than R.J. Reynolds or any other cigarette company.
  - The federal excise tax on cigarettes is currently 24 cents per pack, and is scheduled to increase by 10 cents on Jan.1, 2000 (a 41.7% rate increase) and by another 5 cents on Jan.1, 2002.
  - The Congressional Research Service concluded in June 1999 that smokers impose no net costs on the federal government.
- The Supreme Court ruled in 1947 (*United States v. Standard Oil*) that the federal government cannot recover medical costs without specific legal authority to do so.
  - Neither the Medical Care Recovery Act, the Medicare Secondary Payer Act, nor any other legislation gives the government such authority.

*R.J. Reynolds Tobacco Company is a wholly owned subsidiary of R.J. Reynolds Tobacco Holdings, Inc. (NYSE: RJR). R.J. Reynolds Tobacco Company is the second-largest tobacco company in the United States, manufacturing about one of every four cigarettes sold in the United States. Reynolds Tobacco's product line includes four of the nation's ten best-selling cigarette brands: Winston, Camel, Salem and Doral.*

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