



March 10, 1997

910-741-5000
Winston-Salem, N.C. 27102

Mr. Steve Grossberg
#1229 Queens

Dear Steve:

By now you've most probably heard that SALEM will not conduct its test market in New York. Let me assure you that this decision was made purely on the basis of cost in the face of latest estimates of company earnings this year. Given the current company situation (e.g., performance trends, spending needs, etc.), a lower cost SALEM test is clearly needed.

I did want to take the opportunity, however, to recognize the tremendous job you and the whole New York Region Management Team have done in building a breakthrough sales/marketing plan for SALEM. I have never seen more enthusiasm and confidence in the sales and marketing collaboration. You generated a truly innovative new retail solution for our SALEM brand.

Your efforts are not in vain—far from it. We will apply the program you created to another market, albeit smaller, this year. And we certainly expect to expand the SALEM repositioning effort into high opportunity markets in 1998. New York is on the top of that list.

Thank you again for your significant contribution. Good luck with SALEM and the total RJR business this year.

Sincerely,

A handwritten signature in dark ink, appearing to read "Shouse", written over the printed name.

Douglas Shouse
Vice President, SALEM Business Unit

cc: Mark Young, RSM NY Region
Dave Wilmesher, AVP NESA
Jim Maguire, Senior VP Sales

"We work for smokers."