



TO: OUR CUSTOMERS

Brown & Williamson hereby offers its revised Direct Account MVP Program to all qualifying direct-buying accounts effective August 1, 1992.

Details and terms and conditions of this program are as follows:

1. This program provides for the payment of allowances to qualifying customers based on their performance and achievement of specified distribution services and levels concerning, and their actual purchases of, Brown & Williamson cigarettes. Brown & Williamson will, during each quarter throughout the term of this program, accrue the applicable amount described in the MVP Program announcement, based on the customer's distribution performance, for every carton of qualifying domestic tax-paid cigarettes which the customer purchases directly from Brown & Williamson.
2. The rate of payment per carton of cigarettes will, as described in the attached program materials, vary according to the "level" of the program at which the customer participates. Each customer may choose to qualify from among several levels and criteria of participation according to the customer's needs. Brown & Williamson must accept and agree to each customer's level of participation in this program before the start of the program and at the end of each subsequent quarter.
3. All of a customer's individual "ship-to's" will participate separately under this program and a customer and/or Brown & Williamson may elect to have the customer's different "ship-to's" participate at different qualification "levels." All determinations, as to qualification and compliance, will take place at the "ship-to" level.

A customer may combine the separate payments due each "ship-to" to make up a single customer payment; however, there will be no averaging among participating "ship-to's" belonging to the same customer, and no pooling or averaging of allowances among "ship-to's" owned by different customers.

4. A major part of a "ship-to's" payment under the program will be based on the "ship-to's" achievement of specified levels of storefront distribution in retailers who purchase from or are controlled or owned by the "ship-to." B&W will make the final determination concerning which retail outlets will be included in the distribution criteria for that "ship-to" and will assign the storefront distribution to each such retailer for purposes of determining participation and compliance in the program. Brown & Williamson reserves the right to change or modify the program storefront distribution targets and designated brand styles at any time upon written notice.

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Brown & Williamson will determine whether a customer has complied with the applicable participation criteria for the payment level selected under the program; all questions or disagreements about customer performance and compliance will be reviewed and resolved by Brown & Williamson, whose records and decisions on performance and compliance issues under this program will be deemed correct, binding on customer, and final.

Brown & Williamson may at any time disqualify any customer or "ship-to" which fails to meet or comply with the program requirements for which the customer has enrolled. In such event, the customer or "ship-to" will forfeit its entire allowance for the calendar quarter in which such disqualification takes place.

5. At the end of each quarter under this program, B&W will distribute the foregoing accruals among participating and qualifying direct-buying customers under the following conditions:
 - a. Each direct-buying customer's allowance under the program will be based entirely on that customer's actual purchases of and payment for Brown & Williamson's domestic tax-paid cigarettes for the applicable calendar quarter. Such payments will not become due and payable until the end of the applicable calendar quarter and until payment for all such purchases has been received by Brown & Williamson.
 - b. Payments under this program will be made, by check, quarterly during the term of this program. Checks will be mailed approximately 30 days after the end of the quarter.

Qualification criteria for the second and subsequent quarters will be determined and agreed to prior to the beginning of the applicable quarter.
 - c. Customers may, under no circumstances, deduct anticipated payments under this program from any B&W invoice.
6. In instances of voluntary liquidation of a customer's business, the allowances for that customer shall be prorated as of the time of liquidation; however, the prorated payment will not become due, or be paid to the customer or his assigns, until after the end of the applicable quarter.
7. Where there is a change of ownership of a "customer" which remains in business throughout the quarter, Brown & Williamson will pay the entire quarterly allowance earned by the "customer" to the owner on file at the end of the quarter. Proration of such payment between the present and former owner of the "customer, if any, is a matter between them." B&W's sole liability to all present and former owners of "customer" with respect

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to "customer's" purchases shall be satisfied when B&W has made such payment to the "customer" at customer's regular billing address. In the event of a dispute concerning the correct party to receive a payment under this program, B&W shall have the right to (i) withhold such payment(s) until it receives adequate assurances that it will not be liable to make more than one payment with respect to "customer," or (ii) make such payment jointly to the potential claimants to such payment(s).

8. Brown & Williamson reserves the right to use a customer's allowance to offset that customer's past due credit balances existing at the time the payment would otherwise be made. In the event of a customer's bankruptcy, amounts accrued in favor of the customer prior to the bankruptcy will be used to offset the customer's pre-bankruptcy obligations to B&W. Such amounts will not be paid to the trustee or Debtor in Possession after the bankruptcy. However, amounts earned by the trustee or Debtor in Possession after the bankruptcy will be accrued in favor of the trustee or Debtor in Possession and will be paid in accordance with this program.
9. All taxes due on any MVP payments will be the responsibility of the customer receiving them.
10. The parties to this program are independent contractors; this program does not and shall not be construed to create a partnership, joint venture, or principal — agent or employer — employee relationship between the parties for any purposes whatsoever.
11. This program will run continuously unless and until terminated or modified by B&W. B&W has the right to terminate or modify this program, or any provision or criteria in the program, at any time during the term of the program immediately upon written notification to the customer. Amounts attributable to the time period prior to termination or modification will be paid at the end of the applicable calendar quarter unless B&W elects to pay them earlier.
12. By participating in this Direct Account MVP Program, the customer shall be deemed to agree to the terms contained in this announcement and in the attachments to this announcement concerning this Program. This announcement and attachments hereto constitute the entire and sole agreement between the parties covering this program and supersede all previous announcements, understandings, communications and agreements, oral and written, concerning Brown & Williamson's MVP Program or similar programs.

We appreciate your help and cooperation in the distribution of our products.

Sincerely,

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