

UST INC
Form PREM14A
October 03, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED**

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to § 240.14a-12

UST INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies: Common Stock \$0.50 par value
 - (2) Aggregate number of securities to which this transaction applies: 151,411,329 shares of Common (includes 963,551 shares of restricted stock, restricted stock units and deferred phantom units and options to purchase 2,586,810 shares of Common Stock).
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (Set forth the amount on which the filing fee is calculated and state how it was determined): The filing fee was based on the sum of (a) the product of 147,860,968 shares of Common Stock and the merger consideration of \$69.50 per share of Common Stock, (b) the product of 963,551 shares of restricted stock, restricted stock units and deferred phantom units and \$69.50 per share and (c) the product of options to purchase 2,586,810 shares of Common Stock and \$34.19 (which is the difference between \$69.50 and \$35.31, the weighted average exercise price per share of the options to purchase Common Stock as of September 26, 2008). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000393 by the sum calculated in the preceding sentence.

(4) Proposed maximum aggregate value of transaction: \$10,431,755,468

(5) Total fee paid: \$409,968

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Preliminary Proxy Statement, Subject to Completion, dated October 3, 2008

**UST INC.
6 High Ridge Park, Building A
Stamford, Connecticut 06905
(203) 817-3000**

[], 2008

To our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of UST Inc. (the Company) at [] on [], 2008, beginning at [] local time.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 7, 2008, as amended on October 2, 2008 among the Company, Altria Group, Inc. (Altria) and Armchair Merger Sub, Inc., a subsidiary of Altria (Merger Sub), and approve the merger.

The merger agreement provides, among other things, for the merger of Merger Sub with and into the Company, with the Company surviving the merger and becoming a wholly-owned subsidiary of Altria. If the merger is completed, you will be entitled to receive \$69.50 in cash, without interest, less any required withholding tax, for each share of our common stock you own, unless you have properly exercised your appraisal rights.

After careful consideration, our board of directors has, by unanimous vote, approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company s stockholders. **Accordingly, our board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the merger.** This recommendation is based, in part, upon the recommendation of a committee of our board of directors consisting entirely of independent non-management directors specifically formed to assist our board of directors in its consideration of the proposed transaction, and advice received from financial advisors and outside legal counsel.

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting. We encourage you to read the entire proxy statement carefully because it explains the proposed merger, the documents related to the merger and other related matters, including the conditions to the completion of the merger. You may also obtain more information about the Company from documents we have previously filed with the Securities and Exchange Commission.

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted and the merger is approved by the affirmative vote of holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. If you fail to vote on the proposal to adopt the merger agreement and approve the merger, the effect will be the same as a vote AGAINST the adoption of the merger agreement and approval of the merger.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED, EVEN IF YOU DO NOT PLAN ON ATTENDING THE SPECIAL MEETING IN PERSON. ACCORDINGLY, WE URGE YOU TO VOTE, BY COMPLETING, SIGNING, DATING AND PROMPTLY RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, OR YOU MAY VOTE THROUGH THE INTERNET OR BY TELEPHONE AS DIRECTED ON

THE ENCLOSED PROXY CARD. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.

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Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

We look forward to seeing you at the special meeting.

Sincerely,

Murray S. Kessler
Chairman of the Board of Directors
and Chief Executive Officer

This proxy statement is dated [], 2008 and is first being mailed to stockholders on or about [], 2008.

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Preliminary Proxy Statement, Subject to Completion, dated October 3, 2008

**UST INC.
6 High Ridge Park, Building A
Stamford, Connecticut 06905
(203) 817-3000**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON [], 2008**

Dear Stockholder:

The special meeting of stockholders of UST Inc., a Delaware corporation (the Company), will be held on [], 2008, at [] in order to:

1. consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of September 7, 2008, among the Company, Altria Group, Inc. and Armchair Merger Sub, Inc. and to approve the merger contemplated by the merger agreement, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated October 2, 2008 (collectively, the merger agreement), and as it may be further amended from time to time. A copy of the merger agreement and Amendment No. 1 thereto are attached as Annex A and Annex B, respectively, to the accompanying proxy statement.
2. vote on the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement and approve the merger.
3. transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Only holders of record of shares of our common stock at the close of business on [], 2008, the record date for the special meeting set by our board of directors, are entitled to notice of the meeting and to vote at the meeting and at any adjournment or postponement thereof. A list of stockholders will be available for inspection by stockholders of record during business hours at the Company's executive offices at 6 High Ridge Park, Building A, Stamford, Connecticut 06905 for ten days prior to the date of the special meeting and will also be available at the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

Your vote is important, regardless of the number of shares of stock that you own. The adoption of the merger agreement and approval of the merger require the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are entitled to vote at the special meeting. The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the voting power present and entitled to vote at the special meeting, whether or not a quorum is present.

After careful consideration, our board of directors has, by the unanimous vote of the directors, approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company's stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING TO A LATER DATE, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IN FAVOR OF THE PROPOSAL TO ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

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We urge you to read the entire proxy statement carefully. Whether or not you plan to attend the special meeting, please vote by promptly completing the enclosed proxy card and then signing, dating and returning it in the postage-prepaid envelope provided so that your shares may be represented at the special meeting. Alternatively, you may vote your shares of stock through the Internet or by telephone, as indicated on the proxy card. Prior to the vote, you may revoke your proxy in the manner described in the proxy statement. **Properly executed proxy cards with no instructions indicated on the proxy card will be voted FOR the adoption of the merger agreement and approval of the merger and FOR the proposal to adjourn the meeting to a later date, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the merger agreement and approve the merger if there are insufficient votes to adopt the merger agreement and approve the merger at the time of the special meeting. Your failure to vote will have the same effect as a vote AGAINST the adoption of the merger agreement and the approval of the merger, but will not affect the outcome of the vote regarding any adjournment proposal.**

Stockholders of the Company who do not vote in favor of the adoption of the merger agreement and the approval of the merger will have the right to seek appraisal of the fair value of their shares of common stock if the merger is completed, but only if they perfect their appraisal rights by complying with all of the required procedures under Delaware law. See Dissenters' Rights of Appraisal beginning on page [] of the enclosed proxy statement and Annex E to the enclosed proxy.

By Order of the Board of Directors,

Gary B. Glass
Vice President, General Counsel and
Assistant Secretary

[], 2008

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ANNEX B	Amendment No. 1 to the Agreement and Plan of Merger
ANNEX C	Opinion of Financial Advisor Citigroup Global Markets Inc.
ANNEX D	Opinion of Financial Advisor Perella Weinberg Partners LP
ANNEX E	Section 262 of Delaware Law
ANNEX F	Form of Proxy Card

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The following summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that item in this document.

Unless we otherwise indicate or unless the context requires otherwise: all references in this document to Company, we, our, and us refer to UST Inc. and its subsidiaries; all references to Parent and Altria refer to Altria Group, Inc.; all references to Merger Sub refer to Armchair Merger Sub, Inc.; all references to merger agreement refer to the Agreement and Plan of Merger, dated as of September 7, 2008, among the Company, Altria and Merger Sub, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated October 2, 2008, and as it may be amended from time to time, copies of which are attached as Annex A and Annex B, respectively, to this proxy statement; all references to the merger refer to the merger contemplated by the merger agreement; all references to merger consideration refer to the per share merger consideration of \$69.50 in cash contemplated to be received by the holders of our common stock pursuant to the merger agreement; all references to GAAP refer to generally accepted accounting principles in the United States; all references to the SEC refer to the Securities and Exchange Commission. All other capitalized terms used but not defined in this summary have the meanings ascribed to such terms in the merger agreement.

Parties to the Merger (page [])

UST Inc. UST Inc. was formed on December 23, 1986 as a Delaware corporation to serve as a publicly-held holding company for United States Tobacco Company (USTC), which was formed in 1911. Pursuant to a reorganization approved by stockholders at the 1987 Annual Meeting, USTC became a wholly-owned subsidiary of UST Inc. on May 5, 1987, and UST Inc. continued in existence as a holding company. Effective January 1, 2001, USTC changed its name to U.S. Smokeless Tobacco Company (USSTC). UST Inc., through its direct and indirect subsidiaries, is engaged in the manufacturing and marketing of consumer products in the following business segments:

Smokeless Tobacco Products: Our primary activities are the manufacturing and marketing of smokeless tobacco products. USSTC, our subsidiary, is the leading producer and marketer of moist smokeless tobacco products in the United States, including iconic premium brands such as Copenhagen and Skoal, and other value brands such as Red Seal and Husky. In addition, we market moist smokeless tobacco products internationally.

Wine: Ste. Michelle Wine Estates Ltd., our indirect subsidiary, produces and markets premium varietal and blended wines, and imports and distributes wines from Italy.

Altria Group, Inc. Altria Group, Inc., which we refer to as Parent or Altria, is a public company organized under the laws of the Commonwealth of Virginia. Altria is the holding company for its wholly-owned subsidiaries, Philip Morris USA Inc. and John Middleton, Inc., which are engaged in the manufacture and sale of cigarettes and other tobacco products. In addition, Philip Morris Capital Corporation, another wholly-owned subsidiary of Altria, maintains a portfolio of leveraged and direct finance leases. In addition, at June 30, 2008, Altria indirectly held a 28.5% economic and voting interest in SABMiller plc, which is engaged in the manufacture and sale of various beer products.

Armchair Merger Sub, Inc. Armchair Merger Sub, Inc., which we refer to as Merger Sub, is a Delaware corporation formed for the sole purpose of completing the merger with the Company. Merger Sub is an indirect wholly-owned

subsidiary of Altria.

The Merger Agreement (page [])

On September 7, 2008, the Company entered into a merger agreement with Altria and Merger Sub. Upon the terms and subject to the conditions of the merger agreement, Merger Sub will merge with and into the Company, with the Company as the surviving corporation. The Company will become an indirect wholly-

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owned subsidiary of Altria. As a consequence of the merger, you will have no equity interest in the Company or Altria after the effective time of the merger. At the effective time of the merger:

each share of our common stock, par value \$0.50 per share (Common Stock), will be cancelled and, other than those held by the Company, Altria, Merger Sub or their subsidiaries and other than shares with respect to which appraisal rights have been properly perfected and not withdrawn, converted into the right to receive \$69.50 in cash, without interest and less any applicable withholding tax;

each of our then-outstanding options to acquire shares of Common Stock, vested or unvested, will be converted into the right to receive for each share of Common Stock then subject to such option an amount equal to the excess, if any, of \$69.50 (or such greater amount provided under the applicable option agreement) over the exercise price payable in respect of such share of Common Stock issuable under such option, less any required withholding taxes;

each of our then-outstanding shares of restricted stock and restricted stock units, vested or unvested, held or determined to be held if vesting based on performance criteria, will be cancelled and converted into the right to receive \$69.50 in cash, less any required withholding taxes except that any such awards of restricted stock or restricted stock units granted after September 7, 2008 will be assumed and converted into comparable awards relating to Altria common stock at the effective time; and

each of our other then-outstanding company awards will be cancelled and converted pursuant to the applicable awards plan into the right to receive \$69.50 in cash, less any required withholding taxes. Pursuant to the terms of the Company's Director Deferral Program, the fully vested deferred fees credited to each non-employee director's deferred fees as phantom stock units as of the effective time of the merger will be paid to the director in cash, in an amount equal to the number of units then credited times \$69.50.

Certain Effects of the Merger (page [])

If the merger is completed, and you hold shares of Common Stock at the effective time of the merger, you will be entitled to receive \$69.50 in cash without interest and less any applicable withholding tax for each share of Common Stock owned by you, unless you have perfected and not withdrawn your statutory appraisal rights under Delaware law with respect to the merger. As a result of the merger, the Company will cease to be an independent, publicly-traded company. You will not own any shares of the surviving corporation.

Financing of the Merger (page [])

The obligations of Altria and Merger Sub under the merger agreement are not subject to any conditions regarding their or any other person's ability to obtain financing for the consummation of the merger and related transactions. Prior to executing the merger agreement, Altria and Merger Sub provided the Company with a commitment letter pursuant to which Altria has received a commitment from financial institutions, on terms set forth in such commitment letter, to make available funds to Altria for the purpose of consummating the merger.

The Special Meeting (page [])

The special meeting will be held on [], 2008 starting at [], local time at []. You will be asked to consider and vote upon (1) the adoption of the merger agreement and approval of the merger, (2) the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement and approve the merger and (3) such other business as may properly come before the special meeting or any adjournments or postponements thereof.

Record Date, Quorum and Voting Power (page [])

Stockholders of record at the close of business on [], 2008 are entitled to notice of, and to vote at, the special meeting. On [], 2008 the outstanding voting securities consisted of [] shares of Common Stock. The presence at the special meeting, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock will constitute a quorum for the purpose of considering

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the proposals. In the event that a quorum is not present at the special meeting, the meeting may be adjourned or postponed to a later date or time, if necessary or appropriate, to solicit additional proxies.

The holders of Common Stock have one vote per share on all matters on which they are entitled to vote.

Vote Required for Approval (page [])

The adoption of the merger agreement and approval of the merger requires the affirmative vote of holders of at least a majority of the outstanding shares of Common Stock entitled to vote.

Approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in favor of adoption of the merger agreement and approval of the merger, requires the affirmative vote of holders of a majority of the voting power present and entitled to vote at the special meeting, whether or not a quorum is present.

Voting by Directors and Executive Officers (page [])

As of [], 2008, the record date for the special meeting, our current directors and executive officers held, in the aggregate, [] shares of Common Stock (excluding options) representing approximately []% of outstanding Common Stock. Each of our directors and executive officers has informed the Company that he or she intends to vote all of his or her shares of Common Stock FOR the adoption of the merger agreement and approval of the merger.

Proxies; Revocation (page [])

If you vote your shares of Common Stock by returning a signed proxy card by mail, or through the Internet or by telephone as indicated on the proxy card, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares will be voted FOR the adoption of the merger agreement and approval of the merger, FOR adjournment or postponement of the meeting, if necessary or appropriate to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

If your shares of Common Stock are held in street name by your broker, you should instruct your broker on how to vote such shares of Common Stock using the instructions provided by your broker. If you do not provide your broker with instructions, your shares of Common Stock will not be voted, which will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger.

You may revoke or change your proxy at any time before the vote is taken at the special meeting, except as otherwise described below. If you are a registered stockholder, you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company's Corporate Secretary at 6 High Ridge Park, Building A, Stamford, Connecticut 06905;

submitting a duly executed proxy bearing a later date;

if you voted by telephone or the Internet, by voting a second time by telephone or Internet, but not later than [] p.m. (Eastern Time) on [], 2008 or the day before the meeting date, if the special meeting is adjourned or postponed; or

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by attending the special meeting and voting in person (simply attending the meeting will not constitute revocation of a proxy; you must vote in person at the meeting).

If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

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Recommendation of Our Board of Directors (page [])

Our board of directors, by unanimous vote, (i) determined that the transactions contemplated by the merger agreement are fair to, and in the best interests of the Company's stockholders, (ii) approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated thereby, including the merger, (iii) recommends that our stockholders vote FOR adoption of the merger agreement and approval of the merger and (iv) recommends that our stockholders vote FOR the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes in favor of adoption of the merger agreement and approval of the merger at the time of the special meeting. This recommendation is based, in part, upon the recommendation of a committee of our board of directors consisting entirely of independent non-management directors specifically formed to assist our board of directors in its consideration of the proposed transaction, and advice received from financial advisors and outside legal counsel.

For a discussion of the material factors considered by such strategic transaction committee and our board of directors in reaching their conclusions, see The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page [].

Opinion of Citigroup Global Markets Inc. (page [] and Annex C)

Citigroup Global Markets Inc. (Citi) delivered its opinion to our board of directors that, as of September 7, 2008 and based upon and subject to the factors and assumptions set forth therein, the \$69.50 cash per share merger consideration to be received by the holders of shares of Common Stock pursuant to the proposed transaction was fair from a financial point of view to such holders.

The full text of Citi's written opinion, dated as of September 7, 2008, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement as Annex C and is incorporated into this proxy statement by reference. Citi's opinion was provided to our board of directors in connection with its evaluation of the merger consideration from a financial point of view. Citi's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger. The Company has agreed to pay Citi for its financial advisory services a fee, payable upon consummation of the merger, equal to 0.30% of the total consideration (including liabilities assumed) payable in the merger (expected to be approximately \$36 million).

Opinion of Perella Weinberg Partners LP (page [] and Annex D)

Perella Weinberg Partners LP (Perella Weinberg) delivered its opinion to our board of directors and the strategic transaction committee of our board of directors that, as of September 7, 2008 and based upon and subject to the factors and assumptions set forth therein, the \$69.50 cash per share merger consideration to be received by the holders of shares of Common Stock pursuant to the proposed transaction was fair from a financial point of view to such holders.

The full text of Perella Weinberg's written opinion, dated as of September 7, 2008, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement as Annex D and is incorporated into this proxy statement by reference. Perella Weinberg's opinion was provided to our board of directors and the strategic transaction committee of our board of directors in connection with their evaluation of the merger consideration from a financial point of

view. Perella Weinberg's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger. The Company has agreed to pay Perella Weinberg for its services a fee of \$2.5 million in connection with delivery of its opinion and, upon consummation of the merger, a fee equal to the greater of 0.10% of the transaction value (including liabilities assumed) and \$10 million (in each case deducting the \$2.5 million paid in connection with the opinion). At the discretion of our board of directors, we may pay Perella Weinberg

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up to an additional 0.03% of the transaction value (including liabilities assumed). Without giving effect to any discretionary amount which may be awarded by our board of directors, the total amount is expected to be approximately \$11.5 million.

Reasons for the Merger (page [])

The merger will enable our stockholders to realize for each of their shares of Common Stock a price of \$69.50, which price exceeded the highest price at which the Common Stock had previously traded and represented (i) a premium of approximately 29% to the \$54.04 closing sale price per share of Common Stock on the New York Stock Exchange (NYSE) on September 3, 2008, the last trading day before there was increased speculation in the marketplace regarding a possible transaction involving the Company, (ii) a premium of approximately 30% and 29%, respectively, over the average per share closing sale price during the one-month and three-month trading periods ending on September 3, 2008 which were \$53.38 and \$53.72, respectively, and (iii) a premium of approximately 3% over the closing sale price per share of \$67.55 on the NYSE on September 5, 2008, the last trading day before the announcement of the merger.

For these reasons, and the reasons discussed under The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page [], **our board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to, and in the best interests of the Company and its stockholders.**

Restrictions on Solicitations (page [])

We have agreed that prior to the consummation of the merger, we and our subsidiaries will not, and we will use reasonable best efforts to cause our and our subsidiaries representatives not to:

solicit, initiate, knowingly encourage or facilitate the making, submission or announcement of any takeover proposal from any third person or group;

engage in, continue or participate in any substantive discussions or negotiations regarding any takeover proposal or furnish any non-public information with respect to, or that could reasonably be expected to lead to, any takeover proposal;

fail to make, withdraw, modify or amend, or publicly propose or resolve to withhold, withdraw, modify or amend, in a manner adverse to Altria or Merger Sub, our board of directors recommendation that our stockholders adopt the merger agreement;

approve, endorse or recommend, or publicly propose or resolve to approve, endorse or recommend, a takeover proposal to the Company s stockholders; or

enter into any merger agreement, letter of intent, agreement in principle, stock purchase agreement, asset purchase agreement or stock exchange agreement, option agreement or other similar agreement, in each case providing for or relating to a takeover proposal, other than certain acceptable confidentiality agreements.

Notwithstanding these restrictions, the merger agreement provides that if we receive a bona fide written takeover proposal from a third party before the adoption of the merger agreement by our stockholders, that our board of directors determines in good faith, after consultation with our outside legal counsel and a financial advisor of nationally recognized reputation, that such takeover proposal constitutes or may reasonably be expected to lead to a superior proposal (as defined under The Merger Agreement Restrictions on Solicitations on page []), the Company

may:

furnish non-public information to the third party making such takeover proposal (subject to executing an acceptable confidentiality agreement with the third party and, substantially contemporaneously, notify Altria of such action and furnish Altria with the same information to the extent it has not already been furnished); and

participate in substantive discussions or negotiations regarding the takeover proposal.

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In certain circumstances, if we receive a bona fide written superior proposal, the Company or its subsidiaries may enter into an alternative acquisition agreement with respect to such proposal if we give Altria a 72-hour opportunity to match the superior proposal, and our board of directors continues to believe, following the completion of the 72-hour period and after taking into account any revised offer by Altria, that such proposal is still a superior proposal and the Company pays Altria a termination fee.

The merger agreement also contains restrictions on the ability of our board of directors to withhold, withdraw, modify or amend its recommendation that our stockholders adopt the merger agreement and approve the merger. See *The Merger Agreement – Restrictions on Solicitations* beginning on page [] for a description of these restrictions.

Conditions to the Merger (page [])

Conditions to Each Party's Obligations. Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

the approval of the merger by holders of a majority of the outstanding shares of Common Stock;

the termination or expiration of the Hart-Scott-Rodino Antitrust Improvements Act (HSR Act) or similar antitrust law waiting period or any other agreement with a governmental entity not to effect the merger entered into in accordance with the terms of the merger agreement;

all other applicable regulatory consents having been obtained and being in full force and effect (except those approvals the failure of which to obtain would not reasonably be expected to have a Company Material Adverse Effect (as defined under *The Merger Agreement – Representations and Warranties* on page [])); and

the absence of any injunction, law or order, as applicable, by any court or other governmental entity prohibiting the merger.

Conditions to Altria's and Merger Sub's Obligations. The obligation of Altria and Merger Sub to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

our representations and warranties relating to capital structure being true and correct in all material respects, our representations and warranties relating to the absence of any Company Material Adverse Effect (as defined under *The Merger Agreement – Representations and Warranties* on page []) since December 31, 2007 being true and correct in all respects, and all other representations and warranties being true and correct except where the failure to be so true and correct would not reasonably be expected to have a Company Material Adverse Effect;

the performance in all material respects by us of all our obligations under the merger agreement;

the absence of any effect, event, development, circumstance or change that, individually or in the aggregate with all other effects, events, developments, circumstances and changes, has resulted or would reasonably be expected to result in a Company Material Adverse Effect; and

the receipt by Altria and Merger Sub of a closing certificate signed on behalf of the Company.

Conditions to the Company's Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

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the representations and warranties of Altria and Merger Sub being true and correct except where the failure to be so true and correct would not reasonably be expected to prevent the consummation of the merger;

the performance in all material respects by Altria and Merger Sub of all their obligations under the merger agreement; and

the receipt by the Company of a closing certificate signed on behalf of Altria.

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Termination of the Merger Agreement (page [])

The Company and Altria may agree in writing to terminate the merger agreement at any time without completing the merger. The merger agreement may also be terminated at any time in certain other circumstances, including:

by Altria or the Company if:

the merger has not been consummated by June 7, 2009, as such date may be extended (the end date) as follows: (i) until September 7, 2009 by mutual written agreement in the event more time is needed to obtain any regulatory approval or remove any other legal impediment; or (ii) for up to 10 business days if the special meeting has been postponed to a date after June 7, 2009 in accordance with the terms of the merger agreement, unless such termination was requested by the party whose breach of its obligations under the merger agreement was the principal cause of non-consummation;

there is a final and non-appealable governmental order restraining, enjoining or otherwise prohibiting the merger that did not result from the breach by the terminating party of its obligations under the merger agreement; or

our stockholders do not adopt the merger agreement and approve the merger at the special meeting or any adjournment or postponement thereof.

by the Company if:

at any time prior to a vote by our stockholders approving the merger, the Company enters into an alternative acquisition agreement with respect to a superior proposal, having been authorized through a process consistent with the solicitation provisions of the merger agreement, and immediately prior to or concurrently pays Altria the termination fee (as described under The Merger Agreement Termination Fees and Expenses on page []); or

Altria or Merger Sub is in breach of its representations, warranties, covenants or agreements under the merger agreement, or any such representation or warranty becomes inaccurate, and such breach or inaccuracy would result in the failure of a condition of the Company's obligation to close and is not cured within 30 days following written notice from the Company, or which Altria or Merger Sub ceases to attempt to cure, or which by its nature cannot be cured by the end date; provided that the Company is not in material breach of any provision of the merger agreement.

by Altria if:

our board of directors fails to make, withdraws, modifies or amends its recommendation to our stockholders to adopt the merger agreement and approve the merger, or publicly proposes to do so, in a manner adverse to Altria or Merger Sub;

our board of directors approves, endorses or recommends a takeover proposal or enters into an agreement (other than certain acceptable confidentiality agreements) relating to a takeover proposal or publicly announces its intention to do so (other than in accordance with solicitation provisions of the merger agreement);

there is a material breach by the Company or certain other related persons of the solicitation provisions of the merger agreement;

we fail to include our board of directors' recommendation that our stockholders adopt the merger agreement and approve the merger in the proxy statement delivered to our stockholders; or

we are in breach of our representations, warranties, covenants or agreements under the merger agreement, or any such representation or warranty becomes inaccurate, and such breach or inaccuracy would result in the failure of a condition of Altria's obligation to close and is not cured within 30 days following written notice from Altria, or which we cease to attempt to cure or which by its nature cannot be cured by the end date; provided that Altria is not in material breach of any provision of the merger agreement.

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Termination Fees and Expenses (page [])

Company Termination Fee

We have agreed to pay a termination fee of \$250 million to Altria if:

Altria terminates the merger agreement after our board of directors fails to make, withdraws, modifies or amends its recommendation to our stockholders to adopt the merger agreement and approve the merger, or publicly proposes to do so, in a manner adverse to Altria or Merger Sub;

Altria terminates the merger agreement after our board of directors approves, endorses or recommends a takeover proposal or enters into an agreement (other than certain acceptable confidentiality agreements) relating to a takeover proposal, or publicly announces our intention to do so (other than in accordance with solicitation provisions of the merger agreement);

Altria terminates the merger agreement after a material breach by the Company or certain other related persons of the Company of the solicitation provisions of the merger agreement;

Altria terminates the merger agreement because we failed to include our board of directors' recommendation that our stockholders adopt the merger agreement and approve the merger in the proxy statement delivered to our stockholders;

we terminate the merger agreement, at any time prior to a vote by our stockholders approving the merger, in connection with our entry into an alternative acquisition agreement with respect to a superior proposal, having been authorized through a process consistent with the solicitation provisions of the merger agreement; or

(i) Altria terminates the merger agreement after our breach, which would result in the failure of a condition of Altria's obligations to close and is not cured within 30 days following written notice from Altria, or which we cease to attempt to cure or which cannot be cured by the end date, (ii) we or Altria terminate the merger agreement after a failure to consummate the merger by the end date and regulatory approvals required by the merger agreement have been obtained and the merger has not been enjoined or (iii) we or Altria terminate the merger agreement after the failure to obtain the required stockholder approval of the merger, and the Company has previously received a takeover proposal or a takeover proposal was previously publicly announced and, during the 12-month period following termination of the merger agreement, entered into an agreement with respect to a takeover proposal, approved or recommended a takeover proposal to our stockholders or consummated a takeover proposal, in each case whether or not such takeover proposal is the same as the original takeover proposal; provided that the takeover proposal would still fit in the definition of "takeover proposal" (as defined under "The Merger Agreement - Restrictions on Solicitations" on page []) if all references to "20%" were replaced with "a majority."

Reverse Termination Fee

Altria has agreed to pay, except as described below, a reverse termination fee of \$200 million to us upon our request if

(i) Altria terminates the merger agreement or (ii) the merger has not been consummated by the end date, unless in either case Altria's board of directors determines in accordance with its good faith business judgment that it was permitted under the merger agreement to terminate the merger agreement or it was not required to consummate the merger by the terms of the merger agreement. The reverse termination fee will be increased to \$300 million if: (i) all

conditions to the closing of the merger had been fulfilled or waived on any day on or prior to December 31, 2008 such that the merger could have otherwise been consummated on that day and (ii) the merger has not been consummated by January 7, 2009. The foregoing provision, however, will not apply if Altria had otherwise extended the date for closing the merger, as permitted by the merger agreement, due to the failure to obtain any required pre-approval of any authority regulating our wine business.

In circumstances where the reverse termination fee is payable it will be the exclusive remedy for damages of the Company and, once paid, the Company will not have a right to specific performance (see The Merger

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Agreement – Specific Enforcement – on page []). However, if the reverse termination fee is requested but not paid, the Company will be entitled to seek either the reverse termination fee or damages, but not both.

Accordingly, if the merger is not consummated because Altria fails to obtain the financing, the Company will generally have the option of receiving the reverse termination fee or seeking specific performance. The reverse termination fee is not payable, however, if the merger is not consummated as a result of antitrust-related matters, including Altria's breach of its obligations to use its reasonable best efforts to obtain antitrust clearance for the merger. Accordingly, in such event, the Company will have the option of seeking damages or seeking specific performance, but will not have the option of receiving the reverse termination fee.

Expenses

If the merger agreement is terminated in circumstances where the Company is obligated to pay a termination fee or Altria is obligated to pay a reverse termination fee, we will reimburse Altria and Merger Sub or Altria will reimburse us, as the case may be, for all expenses in connection with the merger agreement and the transactions contemplated by the merger agreement, up to a maximum of \$10 million. Otherwise, each party will be responsible for all of its expenses in connection with the merger agreement and the transactions contemplated by the merger agreement, except that Altria will (i) pay all expenses and filing fees (other than expenses of Company counsel) incurred in connection with antitrust filings and (ii) reimburse the Company for expenses incurred in connection with its cooperation with Altria in Altria's financing of the merger.

Regulatory and Other Governmental Approvals (page [])

HSR

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice (the "Antitrust Division" or "DOJ") and the U.S. Federal Trade Commission ("FTC") under the HSR Act. The Company and Altria have filed their requisite Premerger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC on September 19, 2008, which triggered an initial 30-day waiting period during which Altria cannot acquire or exercise operational control of the Company. This waiting period will expire on October 20, 2008, unless the FTC and DOJ grant the parties' request for early termination of the waiting period or one of the agencies issues a request for additional information or documentary material ("Second Request"). The issuance of a Second Request extends the HSR Act waiting period until Altria and the Company each certify that it has substantially complied with its own Second Request. Compliance with a Second Request requires both parties to submit responses to detailed interrogatories and broad document requests, which can take up to several months. Once both parties have complied with their Second Requests, the reviewing agency has 30 days to complete its review. The parties often agree with the reviewing agency not to consummate the transaction even after the second 30-day waiting period. At the close of its review, the reviewing agency has the options of closing its investigation without taking any enforcement action, negotiating a consent decree with the parties to resolve any remaining competitive concerns or, if such concerns are not resolved, instituting a lawsuit in U.S. federal court to enjoin the merger. The Antitrust Division, the FTC, state Attorneys General or private parties may also challenge the merger on antitrust grounds either before or after the transaction has closed. Accordingly, while the parties believe that the transaction complies with the applicable antitrust laws, it is possible that at any time before or after expiration or termination of the HSR Act waiting period or even after the completion of the merger, any of the Antitrust Division, the FTC, state Attorneys General or private parties could take action under the antitrust laws as deemed necessary or desirable in the public or other interest, including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions.

Other Governmental Approvals and Consents

The Company and Altria may file for other governmental approvals. Completion of the merger is conditioned upon the making of certain filings with and notices to, and the receipt of consents, orders or approvals from, various governmental entities relating to their consideration of the effect of the merger on competition in such jurisdictions, including certain notifications and approvals relating to our wine business

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unit (except those approvals the failure of which to obtain would not reasonably be expected to have a Company Material Adverse Effect (as defined under The Merger Agreement Representations and Warranties on page [])). Altria has the right to extend the closing date up to a date not beyond January 7, 2009 if any required pre-approval of any authority regulating the Company's wine business unit has not been obtained at the time all other conditions to the merger have been waived or fulfilled.

We cannot predict whether we will obtain all required regulatory approvals to complete the merger, or whether any approvals will include conditions that would be detrimental to the Company and Altria.

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders (page [])

The merger will be a taxable transaction to you if you are a U.S. holder (as defined under The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders beginning on page []). Your receipt of cash in exchange for your shares of Common Stock generally will cause you to recognize a gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of Common Stock. If you are a non-U.S. holder (as defined under The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders beginning on page []), your receipt of cash in exchange for your shares of Common Stock pursuant to the merger generally will be exempt from U.S. federal income tax, subject to certain conditions.

The U.S. federal income tax consequences described above may not apply to some holders of shares of Common Stock. Please see the section of this proxy statement titled The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders for a summary discussion of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders. You are urged to consult your tax advisor as to the particular tax consequences of the merger to you, including the tax consequences under federal, state, local, foreign and other tax laws.

Interests of Certain Persons in the Merger (page [])

In considering the recommendation of our board of directors with respect to the merger, you should be aware that certain of our non-employee directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of our stockholders generally. These interests include:

- the ownership by a number of our non-employee directors of stock options and deferred phantom units of the Company;

- the ownership by our executive officers of stock options and shares of restricted stock of the Company;

- interests of our executive officers in cash payments to be made following the effective time of the merger with respect to amounts accrued as of December 31, 2008 under our non-qualified retirement plans;

- Altria's entry into new employment agreements with a number of our executive officers to be effective as of the effective time of the merger; and

- interests of certain executive officers in cash payments and certain other benefits to be provided upon a qualifying termination of employment following a change in control of the Company pursuant to existing employment and severance agreements.

These interests may present our non-employee directors and executive officers with actual or potential conflicts of interest. Our board of directors was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger agreement and the merger and to recommend that you vote in favor of adopting the merger agreement and approving the merger.

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Procedure for Receiving Merger Consideration (page [])

As soon as practicable after the effective time of the merger, a paying agent designated by Altria, that is reasonably acceptable to the Company, will mail a letter of transmittal and instructions to all Company stockholders. The letter of transmittal and instructions will tell you how to surrender your Common Stock certificates in exchange for the merger consideration, without interest and less applicable withholding tax. The paying agent will provide stockholders with the consideration due pursuant to the merger agreement as soon as practicable following the receipt of Common Stock certificates in accordance with the instructions set forth in the letter of transmittal. **You should not return any share certificates you hold with the enclosed proxy card, and you should not forward your share certificates to the paying agent without a letter of transmittal.**

Market Price of Common Stock (page [])

Our Common Stock is listed on the NYSE under the trading symbol UST. The closing sale price per share of Common Stock on September 3, 2008, which was the last trading day before there was increased speculation in the marketplace regarding a possible transaction involving the Company, was \$54.04. The closing sale price per share of Common Stock on September 5, 2008, which was the last trading day before the announcement of the merger (but following increased speculation in the marketplace regarding a possible transaction involving the Company), was \$67.55. On [], 2008, which was the last trading day before the date of this proxy statement, the Common Stock closed at \$[] per share.

Dissenters Rights of Appraisal (page [] and Annex E)

Under Delaware law, if you take or refrain from taking certain specific actions, you are entitled to appraisal rights in connection with the merger. You will have the right, under and in full compliance with Delaware law, to have the fair value of your shares of Common Stock determined by the Court of Chancery of the State of Delaware. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to exercise your appraisal rights you must:

send a timely written demand to us at the address set forth on page [] of this proxy statement for appraisal in compliance with Delaware law, which demand must be delivered to us before our stockholder vote to approve the merger set forth in this proxy statement;

not vote in favor of the merger agreement; and

continuously hold your Common Stock, from the date you make the demand for appraisal through the closing of the merger.

Merely voting against the merger agreement will not protect your rights to an appraisal, which requires that you take all the steps required under Delaware law. Requirements under Delaware law for exercising appraisal rights are described in further detail beginning on page []. The relevant section of Delaware law, Section 262 of the Delaware General Corporation Law, regarding appraisal rights is reproduced and attached as Annex E to this proxy statement.

If you vote for the merger agreement, you will waive your rights to seek appraisal of your shares of Common Stock under Delaware law. If you fail to properly exercise your appraisal rights in accordance with Section 262 of the Delaware General Corporations Law, upon surrendering your certificates in accordance with the instructions set forth in the letter of transmittal, you will receive the merger consideration of \$69.50 per share, without interest and less

applicable withholding tax. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262 of the Delaware General Corporation Law.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Company stockholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See Where You Can Find Additional Information beginning on page [].

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Altria pursuant to the merger agreement. Once the merger agreement has been adopted by our stockholders and other closing conditions under the merger agreement have been satisfied or waived, Merger Sub, a wholly-owned indirect subsidiary of Altria, will merge with and into the Company. The Company will be the surviving corporation and become a wholly-owned indirect subsidiary of Altria.

Q: What will I receive in the merger?

A: If the merger is completed, you will receive \$69.50 in cash, without interest and less any required withholding taxes, for each share of Common Stock that you own at the effective time of the merger, unless you have perfected your appraisal rights under Delaware law. For example, if you own 100 shares of Common Stock, you will receive \$6,950 in cash in exchange for your shares of Common Stock, less any required withholding taxes. You will not be entitled to receive shares in the surviving corporation.

Q: When and where is the special meeting?

A: The special meeting of the Company's stockholders will be held at [], local time, on [] 2008, at [].

Q: What matters am I entitled to vote on at the special meeting?

A: You are entitled to vote:

FOR or AGAINST the adoption of the merger agreement and the approval of the merger;

FOR or AGAINST the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the merger agreement and approve the merger if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger; and

on such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Q: How does the Company's board of directors recommend that I vote on the proposals?

A: Our board of directors recommends that you vote:

FOR the proposal to adopt the merger agreement and approve the merger; and

FOR the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the merger agreement and approve the merger if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger.

You should read *The Merger* *Reasons for the Merger; Recommendation of Our Board of Directors* beginning on page [] for a discussion of the factors that our board of directors considered in deciding to recommend the adoption of the merger agreement and approval of the merger. See also *The Merger* *Interests of Certain Persons in the Merger* beginning on page [].

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Q: What vote of stockholders is required to adopt the merger agreement and approve the merger?

A: For us to complete the merger, stockholders as of the close of business on the record date for the special meeting holding a majority of the outstanding shares of Common Stock entitled to vote at the special meeting, must vote FOR the adoption of the merger agreement and approval of the merger.

Q: What vote of stockholders is required to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies at the special meeting?

A: The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the approval of holders of a majority of the shares of Common Stock present, in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

Q: Who is entitled to vote?

A: Stockholders as of the close of business on [], 2008, the record date for the special meeting, are entitled to receive notice of, attend and to vote at the special meeting or any adjournment or postponement thereof. On the record date, approximately [] shares of Common Stock, held by approximately [] stockholders of record, were outstanding and entitled to vote. You may vote all shares you owned as of the record date. You are entitled to one vote per share.

Q: What does it mean if I get more than one proxy card?

A: If you have shares of Common Stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: What do I need to do now?

A: We urge you to carefully read this proxy statement, including its annexes, and to consider how the merger affects you. Even if you plan to attend the special meeting, if you hold your shares in your own name as the stockholder of record, you should vote your shares by completing, signing, dating and returning the enclosed proxy card, using the telephone number printed on your proxy card, or using the Internet voting instructions printed on your proxy card. If you have Internet access, we encourage you to vote via the Internet. You can also attend the special meeting and vote in person. If you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee.

Q: How do I vote without attending the special meeting?

A: If you are a registered stockholder (that is, if you hold shares of Common Stock in certificated form), you may submit your proxy and vote your shares by returning the enclosed proxy card, marked, signed and dated, in the postage-prepaid envelope provided, or by telephone or through the Internet by following the instructions included with the enclosed proxy card.

If you hold your shares through a broker, bank or other nominee, you should follow the separate voting instructions provided by the broker, bank or other nominee with the proxy statement. Your broker, bank or other nominee may provide proxy submission through the Internet or by telephone. Please contact your broker, bank or other nominee to determine how to vote.

Q: How do I vote in person at the special meeting?

A: If you are a registered stockholder, you may attend the special meeting and vote your shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you decide to vote in person, please bring proof of identification with you. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted even if you later decide not to attend.

If you hold your shares through a broker, bank or other nominee, you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your broker, bank or nominee.

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Q: Can I change my vote?

A: You may revoke or change your proxy at any time before it is voted, except as otherwise described below. If you have not voted through your broker, bank or other nominee because you are the registered stockholder, you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company's Secretary;

submitting a duly executed proxy bearing a later date;

submitting a new proxy by telephone or through the Internet at a later time, but not later than [] p.m. (Eastern Time) on [], 2008, or the day before the meeting date, if the special meeting is adjourned or postponed; or

voting in person at the special meeting.

Simply attending the special meeting will not constitute revocation of a proxy. If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

Q: If my shares are held in street name by my broker, bank or other nominee, will my nominee vote my shares for me?

A: Yes, but only if you provide instructions to your broker, bank or other nominee on how to vote. You should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted.

Q: Is it important for me to vote?

A: Yes, since we cannot complete the merger without a quorum of the holders of a majority of the shares of Common Stock present at the special meeting in person or by proxy and the affirmative vote of the majority of the holders of shares of Common Stock that are entitled to vote at the special meeting. **Your failure to vote will have the same effect as a vote against the adoption of the merger agreement and approval of the merger.**

Q: Will I have appraisal rights as a result of the merger?

A: Yes, but only if you comply with the requirements of Delaware law. In order to exercise your appraisal rights, you must follow the requirements of Delaware law. A copy of the applicable Delaware statutory provision is included as Annex E to this proxy statement and a summary of this provision can be found under Dissenters Rights of Appraisal beginning on page [] of this proxy statement. You will only be entitled to appraisal rights if you do not vote in favor of the merger and comply fully with certain other requirements of Delaware law, including submitting a notice of your intention to seek appraisal prior to the special meeting.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Common Stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive \$69.50 per share in cash to be received by our stockholders in the merger. In order to receive \$69.50 per share,

you must hold your shares through completion of the merger.

Q: Will a proxy solicitor be used?

A: Yes. The Company has engaged Georgeson Inc. to assist in the solicitation of proxies for the special meeting and the Company estimates that it will pay them a fee of approximately \$[], and will

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reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with the solicitation.

Q: Should I send in my stock certificates now?

A: No. Assuming the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your share certificates to the paying agent, shortly thereafter, in order to receive the merger consideration, without interest and less any applicable withholding tax. You should use the letter of transmittal to exchange the Company stock certificates for the merger consideration to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

Q: When do you expect the merger to be completed?

A: We are working to complete the merger as quickly as possible. In addition to obtaining stockholder approval, all of the conditions to the merger must have been satisfied or waived. We currently expect to complete the merger promptly following the satisfaction or waiver of all conditions to the closing.

Q: What happens if the merger is not consummated?

A: If the merger agreement is not adopted by our stockholders, or if the merger is not consummated for any other reason, you will not receive any payment for your shares in connection with the merger. Instead, the Company will remain an independent public company and our Common Stock will continue to be listed and traded on the NYSE. Under specified circumstances, we or Altria may be required to pay a termination fee described under The Merger Agreement Termination Fees and Expenses beginning on page [].

Q: Who can help answer my other questions?

A: If you have more questions about the merger or the special meeting, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact Georgeson Inc., our proxy solicitor, at [Telephone Number of Proxy Solicitor]. If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings Summary, The Merger, Projected Financial Information and in statements containing the words may, should, would, will, expect, could, anticipate, believe, estimate, plan, contemplate and similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the businesses or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and are based on management's current reasonable expectations and are subject to certain assumptions, risks, uncertainties and changes in circumstances due to future events as well as changes in economic, competitive, regulatory and/or technological factors affecting UST Inc.'s businesses, and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise. In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

the current market price of Common Stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a decline in the market price of Common Stock;

the outcome of any legal proceedings that have been or may be instituted against the Company and others relating to the merger agreement;

the occurrence of any event, change or other circumstances that could give rise to a termination of the merger agreement;

under certain circumstances, we may have to pay a termination fee to Altria of \$250 million plus up to \$10 million in expenses;

the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger;

the inability to complete the merger due to the failure to obtain regulatory approval with respect to the merger;

the failure of the merger to close for any other reason;

our remedies against Altria with respect to certain breaches of the merger agreement may not be adequate to cover our damages;

the proposed transactions may disrupt current business plans and operations and there may be potential difficulties in attracting and retaining employees as a result of the announced merger;

the effect of the announcement of the merger on our business relationships, operating results and business generally; and

the costs, fees, expenses and charges we have, and may, incur related to the merger, whether or not the merger is completed.

The foregoing sets forth some, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. A more complete description of the risks applicable to us is provided in our filings with the SEC available at the SEC's web site at <http://www.sec.gov>, including our most recent filings on Forms 10-Q and 10-K. Investors are cautioned not to place undue reliance on these forward-looking statements. Investors also should understand that it is not possible to predict or identify all risk factors and that neither this list nor the factors identified in our SEC filings should be considered a complete statement of all potential risks and uncertainties. We have no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement.

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THE PARTIES TO THE MERGER

UST Inc.

UST Inc. was formed on December 23, 1986 as a Delaware corporation to serve as a publicly-held holding company for United States Tobacco Company (USTC), which was formed in 1911. Pursuant to a reorganization approved by stockholders at the 1987 Annual Meeting, USTC became a wholly-owned subsidiary of UST Inc. on May 5, 1987, and UST Inc. continued in existence as a holding company. Effective January 1, 2001, USTC changed its name to U.S. Smokeless Tobacco Company (USSTC). UST Inc., through its direct and indirect subsidiaries, is engaged in the manufacturing and marketing of consumer products in the following business segments:

Smokeless Tobacco Products: Our primary activities are the manufacturing and marketing of smokeless tobacco products. USSTC, our subsidiary, is the leading producer and marketer of moist smokeless tobacco products in the United States, including iconic premium brands such as Copenhagen and Skoal, and other value brands such as Red Seal and Husky. In addition, we market moist smokeless tobacco products internationally.

Wine: Ste. Michelle Wine Estates Ltd., our indirect subsidiary, produces and markets premium varietal and blended wines, and imports and distributes wines from Italy.

The Company's principal executive offices are located at 6 High Ridge Park, Building A, Stamford, Connecticut 06905, and its phone number is (203) 817-3000.

Altria Group, Inc.

Altria Group, Inc., which we refer to as Parent or Altria, is a public company organized under the laws of the Commonwealth of Virginia. Altria is the holding company for its wholly-owned subsidiaries, Philip Morris USA Inc. and John Middleton, Inc., which are engaged in the manufacture and sale of cigarettes and other tobacco products. In addition, Philip Morris Capital Corporation, another wholly-owned subsidiary of Altria, maintains a portfolio of leveraged and direct finance leases. In addition, at June 30, 2008, Altria indirectly held a 28.5% economic and voting interest in SABMiller plc, which is engaged in the manufacture and sale of various beer products.

Altria's principal executive offices are located at 6601 West Broad Street, Richmond, Virginia 23230, and its phone number is (804) 274-2200.

Armchair Merger Sub, Inc.

Armchair Merger Sub, Inc., which we refer to as Merger Sub, is a Delaware corporation formed for the sole purpose of completing the merger with the Company. Merger Sub is an indirect wholly-owned subsidiary of Altria. Merger Sub's principal executive offices are located at c/o Altria Group, Inc., 6601 West Broad Street, Richmond, Virginia 23230, and its phone number is (804) 274-2200. Upon consummation of the proposed merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation, under the name UST Inc.

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THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [], 2008 starting at [], local time, at [], or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon a proposal to adopt the merger agreement and approve the merger, approve the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies, and to act on such other matters and transact such other business, as may properly come before the meeting. Our stockholders must adopt the merger agreement and approve the merger in order for the merger to occur. If our stockholders fail to adopt the merger agreement and approve the merger, the merger will not occur. A copy of the merger agreement and Amendment No. 1 thereto are attached to this proxy statement as Annex A and Annex B, respectively. This proxy statement, the notice of the special meeting and the enclosed form of proxy are first being mailed to our stockholders on or about [], 2008.

Record Date, Quorum and Voting Power

Stockholders of record at the close of business on [], 2008 are entitled to notice of, and to vote at, the special meeting. On [], 2008, the outstanding voting securities consisted of [] shares of Common Stock. Each share of Common Stock entitles its holder to one vote on all matters properly coming before the special meeting.

A quorum of holders of Common Stock must be present for the special meeting to be held. Holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote will constitute a quorum for the purpose of considering the proposal regarding adoption of the merger agreement and approval of the merger. If a quorum exists, then holders of a majority of the votes of shares of Common Stock present in person or represented by proxy at the special meeting may adjourn the special meeting. Alternatively, if no quorum exists, then a majority in interest of the stockholders present at the special meeting may adjourn the special meeting. Both abstentions and broker non-votes (as discussed in The Special Meeting Vote Required for Approval on page []) are counted for the purpose of determining the presence of a quorum.

Vote Required for Approval

For us to complete the merger, holders of a majority of the outstanding shares of Common Stock, entitled to vote at the special meeting, must vote FOR the adoption of the merger agreement and approval of the merger. The proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the approval of holders of a majority of the shares of Common Stock present, in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

In order for your shares of Common Stock to be included in the vote, if you are a registered stockholder (that is, if you hold your shares of Common Stock in certificated form), you must submit your proxy and vote your shares by returning the enclosed proxy, completed, signed and dated, in the postage prepaid envelope provided, or by telephone or through the Internet, as indicated on the proxy card, or you may vote in person at the special meeting.

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters such as the adoption of the

merger agreement and approval of the merger and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as broker non-votes. Abstentions and broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists. **Because adoption of the merger agreement and approval of the merger requires the affirmative vote of the majority of the shares of Common Stock outstanding on the record date, failures to vote,**

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abstentions and broker non-votes, if any, will have the same effect as votes AGAINST adoption of the merger agreement and approval of the merger.

Voting by Directors and Executive Officers

As of [], 2008, the record date for the special meeting, our current directors and executive officers held and are entitled to vote, in the aggregate, [] shares of Common Stock (excluding options), representing approximately []% of the outstanding shares of Common Stock. Each of our directors and executive officers has informed us that he or she currently intends to vote all of his or her shares FOR the adoption of the merger agreement and approval of the merger, and FOR the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies; Revocation

If you vote your shares of Common Stock by returning a signed proxy card by mail, or through the Internet or by telephone as indicated on the proxy card, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares will be voted FOR the adoption of the merger agreement and approval of the merger, FOR adjournment or postponement of the meeting, if necessary or appropriate to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

If your shares of Common Stock are held in street name by your broker, bank or other nominee you should instruct your broker, bank or other nominee on how to vote such shares of Common Stock using the instructions they provide. If you do not provide your broker, bank or other nominee with instructions, your shares of Common Stock will not be voted, which will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger.

You may revoke or change your proxy at any time before the vote is taken at the special meeting, except as otherwise described below. If you are a registered stockholder, you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company's Corporate Secretary at 6 High Ridge Park, Building A, Stamford, Connecticut 06905;

submitting a duly executed proxy bearing a later date;

if you voted by telephone or the Internet, by voting a second time by telephone or Internet, but not later than [] p.m. (Eastern Time) on [], 2008 or the day before the meeting date, if the special meeting is adjourned or postponed; or

by attending the special meeting and voting in person (simply attending the meeting will not constitute revocation of a proxy; you must vote in person at the meeting).

If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

The Company does not expect that any matter other than the proposal to adopt the merger agreement and approve the merger and, if necessary or appropriate, the proposal to adjourn or postpone the special meeting will be brought before

the special meeting. If, however, such a matter is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

Please do NOT send in your stock certificates with your proxy card. If the merger is completed, stockholders will be mailed a letter of transmittal following the completion of the merger with instructions for use in effecting the surrender of certificates in exchange for the merger consideration.

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Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than an announcement made at the special meeting, if the adjournment is not for more than 30 days. If a quorum exists, then holders of a majority of shares of Common Stock present in person or represented by proxy at the special meeting and entitled to vote on the matter may adjourn the special meeting. Alternatively, if no quorum exists, then a majority in interest of the stockholders present at the special meeting in person or represented by proxy and entitled to vote on the matter may adjourn the special meeting. Any duly signed proxies timely received by the Company in which no voting instructions are provided will be voted FOR an adjournment in these circumstances. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company stockholders who have already sent in their proxies to revoke them prior to their use at the special meeting, reconvened following such adjournment or postponement, in the manner described above. Broker non-votes, if any, will not have any effect on the adjournment or postponement of the special meeting and abstentions, if any, will have the same effect as a vote AGAINST the adjournment or postponement of the special meeting.

Rights of Stockholders Who Object to the Merger

Stockholders are entitled to statutory appraisal rights under Delaware law in connection with the merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights, but you will still receive the \$69.50 cash consideration you would have been entitled to otherwise. See Dissenters Rights of Appraisal beginning on page [] of this proxy statement and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex E.

Expenses of Proxy Solicitation

The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. Additional solicitation may be made by telephone, facsimile, e-mail, in person or other contact by certain of our directors, officers, employees or agents, none of whom will receive additional compensation therefor. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others. The Company has also engaged Georgeson Inc. to assist in the solicitation of proxies for the meeting and we estimate that we will pay them a fee of approximately \$[], and will reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with such solicitation.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor:

Georgeson Inc.
199 Water St. 26th Floor
New York, NY 10038-3650
Banks and Brokers Call: [telephone]
All Others Call Toll Free: [telephone]

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THE MERGER

This discussion of the merger is qualified in its entirety by reference to the merger agreement, and Amendment No. 1 to the Agreement and Plan of Merger, which are attached to this proxy statement as Annex A and Annex B, respectively. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

In pursuing its objective of enhancing stockholder value, the Company's board of directors from time to time considers opportunities for a variety of transactions, including potential business combinations and other strategic alternatives. In the recent past, there has been speculation in the marketplace that the Company would be a good fit for Altria and Altria could have a serious interest in acquiring the Company. Prior to the discussions referenced below, however, there had been no contact between the companies regarding a potential combination.

On May 29, 2008, Mr. Murray S. Kessler, Chairman and Chief Executive Officer of the Company, received an unsolicited telephone call from Mr. Michael E. Szymanczyk, Chairman and Chief Executive Officer of Altria. Mr. Kessler, who was out of the office at the time, returned Mr. Szymanczyk's call on June 4, 2008, at which time Mr. Szymanczyk informed Mr. Kessler that he would like to get together with Mr. Kessler so that they could discuss the potential for exploring a transaction involving Altria and the Company. Mr. Kessler and Mr. Szymanczyk agreed to meet on June 19, 2008, following the Company's regularly scheduled board of directors annual strategic planning meeting on June 18 and 19, 2008. Prior to returning Mr. Szymanczyk's call, Mr. Kessler reported the inquiry to several members of the Company's board of directors and the Company's legal counsel, Skadden, Arps, Slate, Meagher & Flom LLP (Skadden Arps), and financial advisors, Citigroup Global Markets, Inc. (Citi) and Centerview Partners, LP (Centerview). During these discussions, there was a general consensus that, while the Company believes it had a bright future as an independent Company, it was in the best interest of the Company and its stockholders for Mr. Kessler to hear what Mr. Szymanczyk had to say.

On June 18 and 19, 2008, Mr. Kessler and the other members of the board of directors attended the Company's regularly scheduled strategic planning offsite meeting where, with the assistance of Citi and Centerview, the Company's financial advisors, the Company reviewed the three-year strategic plan and incremental value creation alternatives. As part of the review, the Company's management presented its latest three year projections and the Company's financial advisors provided a review of various strategic value opportunities available to the Company. The projections presented by the Company's management covered both a Plan A expected case, risks and opportunities, as well as a Plan B upside case and additional information regarding certain product innovation strategies being reviewed by the Company (see Projected Financial Information beginning on page []). During this meeting, the Company's board of directors requested that additional analyses of the potential impact of the product innovation strategies be prepared. In addition, the Company's board of directors and financial advisors discussed the scheduled June 19 meeting between Mr. Kessler and Mr. Szymanczyk. Also, on the morning of June 19, the independent members of the board of directors formed a strategic transaction committee (the Transaction Committee) consisting of Mr. John P. Clancey, who served as Chairman of the Transaction Committee, Mr. Joseph E. Heid and Mr. Peter J. Neff to assist the board of directors in its review and oversight of any actions to be taken in respect of any proposal presented by Altria. And finally, the Transaction Committee asked Mr. Kessler to investigate whether Altria was using Centerview as an advisor based on its past relationship with Altria.

On the evening of June 19, 2008, Messrs. Kessler and Szymanczyk met in person. At the meeting, Mr. Szymanczyk expressed Altria's interest in pursuing an acquisition of the Company for \$67 per outstanding share in cash and

explained why he believed a combination made sense for both Altria's and the Company's stockholders. Mr. Szymanczyk noted, among other items, that (i) Altria viewed this as a strategic combination and was only interested in pursuing a transaction with the Company, if the Company's board of directors also desired to pursue it, and (ii) assuming that the Company was interested, Altria would like to be in a position to announce a transaction by the end of June. As background for the \$67 per share price, Mr. Szymanczyk

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noted that the offer reflected a significant premium to the Company's stockholders while at the same time satisfying Altria's need to retain its investment grade credit rating after the transaction and its goal to reinvest most of the synergies generated by the combination to enhance the value proposition for the Company's premium smokeless brands. Mr. Szymanczyk also noted the importance of retaining key employees as part of any transaction, since Altria, unlike the Company, did not have experience in the relevant categories. In this regard, Mr. Kessler pointed out that he was at the meeting as a director and, as such, the meeting should be focused on value to stockholders. Mr. Kessler noted that he would discuss the \$67 per share all-cash offer with the Company's board of directors and would reply to Mr. Szymanczyk in due course.

On June 20, 2008, the Company's board of directors met telephonically, with its legal and financial advisors present, to receive an update on the conversations between Mr. Kessler and Mr. Szymanczyk. Mr. Kessler informed the board of Altria's \$67 per share all-cash offer and described the discussion between him and Mr. Szymanczyk. At the meeting, Skadden Arps advised the Company's board of directors regarding fiduciary obligations of directors under Delaware law. The Company's board of directors requested that Citi perform a preliminary valuation analysis to be presented to the board at an in person meeting the following week. Because of Centerview's historical role as a strategic advisor to Altria, which Mr. Kessler had confirmed, the Company's board of directors determined not to continue to use Centerview as a financial adviser in this matter. Following this meeting, the Transaction Committee engaged Sullivan & Cromwell LLP (Sullivan & Cromwell) to serve as legal advisor to the independent members of the board of directors, which includes the members of the Transaction Committee.

On July 1, 2008, the Company's board of directors met in person to further discuss Altria's proposal. At this meeting, Citi presented its preliminary financial analysis of the proposal and the board discussed a number of options for responding to the Altria proposal. In conjunction with Citi's presentation, the board of directors discussed the Company's expected case and upside projections (including various innovation product scenarios) that had been prepared as part of its ordinary course strategic review session conducted the previous month, including an assessment of the risks that could affect the Company's ability to achieve the results reflected in the projections. Following further discussion, the Company's board of directors then authorized Mr. Kessler to express to Mr. Szymanczyk that the \$67 per share all-cash offer was inadequate and to determine Altria's willingness to consider a meaningful increase in the offer. The board of directors authorized the Transaction Committee to identify and retain, on behalf of the independent members of the board of directors, an additional financial advisor to prepare a second valuation analysis to assist it in reviewing the Altria proposal.

On July 3, 2008, Mr. Kessler and Mr. Szymanczyk met in person to discuss the Company's response to Altria's offer. As directed by the Company's board of directors, Mr. Kessler relayed the Company's position that \$67 per share was inadequate and that a price per share in the mid-\$70s would be viewed more favorably by the Company's board of directors. Mr. Szymanczyk responded that he continued to believe that the \$67 price per share was fair, especially in light of Altria's belief that most of the synergies obtained in the transaction would need to be reinvested into the Company's brands and, as such, would not be available to further increase the offer price. Mr. Szymanczyk informed Mr. Kessler that he would review the matter further over the holiday weekend and be back in touch. Mr. Kessler reported his conversation to the Company's legal and financial advisors and members of the Transaction Committee. Throughout the process, members of the Transaction Committee updated other directors from time to time, as appropriate.

On July 6, 2008, Mr. Kessler received a telephone call from Mr. Szymanczyk in which Mr. Szymanczyk reaffirmed Altria's offer of \$67 in cash per share. Mr. Kessler reiterated to Mr. Szymanczyk that the Company's board of directors did not believe that Altria's offer was sufficient and that the Company would not be willing to proceed on such terms. Mr. Kessler emphasized the importance of Altria's having a 7 as the first digit of its proposed purchase price. Mr. Szymanczyk indicated that he would discuss the matter with Altria's board of directors and be back in touch.

On July 15, 2008, Mr. Szymanczyk telephoned Mr. Kessler and raised Altria's offer to \$69.50 in cash per share, noting that the increased offer was Altria's best and final offer. Mr. Szymanczyk indicated that the proposal was subject to (i) the approval of Altria's board of directors, (ii) the completion of limited due

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diligence, (iii) negotiation of definitive documentation and (iv) the execution of employment agreements with key employees. In this regard, Mr. Szymanczyk stated that Altria had a draft merger agreement which it was ready to send to the Company for review, assuming that the price was acceptable. In addition, Mr. Szymanczyk stated that Altria had already secured financing for the transaction and that financing would not be a condition to the completion of the transaction. Finally, Mr. Szymanczyk asked that the Company respond to the offer promptly so that Altria and the Company could be in a position to announce a transaction, assuming a transaction were to be done, on or before their respective earnings announcements, which were scheduled for late July.

On July 16, 2008, the Company's board of directors met telephonically to receive an update on the preceding day's call between Mr. Kessler and Mr. Szymanczyk. At that meeting, members of the Transaction Committee reported to the board of directors that it had engaged Perella Weinberg Partners LP (Perella Weinberg) to provide an independent financial analysis of Altria's offer, noting that Perella Weinberg, since its formation over two years ago, had not provided investment banking services to Altria. The Company's board of directors, while mindful of Mr. Szymanczyk's proposed timing, determined that the Company should take the time necessary for Perella Weinberg to complete its financial analysis, and for the board of directors to consider such matters, before responding to Altria.

On July 23, 2008, the Transaction Committee met to review the financial analysis prepared by Perella Weinberg and concluded, based upon Perella Weinberg's report and the work previously conducted by Citi, that Altria's revised offer merited serious consideration by the entire board of directors. Later that day, the Company's board of directors received a telephonic report from the Transaction Committee on Perella Weinberg's analysis and determined to hold an in person board of directors meeting to discuss Perella Weinberg's presentation, as well as other relevant matters, before responding to Altria. The Perella Weinberg materials were distributed to all of the members of the Company's board of directors and a meeting was scheduled for the following week. In addition, members of Perella Weinberg made themselves available throughout the weekend to answer questions.

On July 28, 2008, the Transaction Committee met to receive a presentation by Sullivan & Cromwell on its fiduciary duties, to discuss Perella Weinberg's financial analysis and consider the latest Altria proposal. Later that day, the Company's board of directors met to discuss Perella Weinberg's financial analysis and to receive an updated presentation from Citi. At that meeting, the board of directors discussed the proposal at length and received input from representatives of Perella Weinberg, Citi, Skadden Arps and Sullivan & Cromwell. Following discussion, there was a consensus among the directors, based upon the foregoing, including the risks and opportunities inherent in the tobacco business and its belief that the stock price likely to be achieved in the near to medium term, even if the upside Plan B projections were realized, would represent a discount to the consideration being offered, that Altria's proposed offer, even if not improved further, would be worthy of serious consideration. The Company's board of directors, while recognizing that any further improvement by Altria in price would, in all likelihood, be modest at best, directed Mr. Kessler to seek an additional increase in price and authorized Mr. Kessler, following an agreement in price, to engage in negotiations on other terms of a potential transaction. The Transaction Committee and its advisors and the Company's board of directors and its advisors also discussed the potential advantages and disadvantages of reaching out to other possible buyers. After discussion, the Company's board of directors determined that it was in the Company's best interests to attempt to reach an agreement with Altria on an exclusive basis, but directed management and the Company's advisors to preserve the possibility for the Company to approach third parties prior to signing a merger agreement, in case it later seemed advisable to do so, and to preserve in the merger agreement an opportunity for a third party to make a superior, unsolicited proposal.

On July 31, 2008, Mr. Kessler met in person with Mr. Szymanczyk to seek an increase in the proposed offer price. Mr. Szymanczyk responded that Altria was not prepared to increase its offer price, especially considering what Altria believed were soft results recently reported by the Company for the second quarter, as reflected in the modest growth in moist smokeless tobacco can volume reported for such quarter. And in fact, that Altria was rerunning its business valuation model to make sure the transaction still made financial sense and that its reinvestment assumptions were

sufficient to deliver this business plan. After a lengthy discussion, Mr. Kessler informed Mr. Szymanczyk that while the Company was willing to proceed in

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negotiations for a potential transaction, and notwithstanding Altria's concerns, the Company would still like Altria to consider increasing its price to \$70 per share. Mr. Szymanczyk agreed to discuss the \$70 price with Altria's board of directors, but only after Altria had re-run its valuation model and only if it continued to make sense for Altria's shareholders as well. He also agreed to respond formally in the coming days. Mr. Szymanczyk also indicated Altria's need to approach credit rating agencies to discuss the potential transaction and requested that the Company facilitate Altria's conducting limited due diligence prior to a final agreement on price. Mr. Szymanczyk also noted that he would like the opportunity to discuss executive retention issues with Mr. Kessler. Mr. Kessler agreed to discussions with respect to rating agencies and, following execution of a confidentiality agreement, limited due diligence, but noted that it would be inappropriate to discuss executive compensation issues until substantial progress was made towards finalizing a merger agreement. Mr. Szymanczyk indicated that he understood and agreed.

On August 5, 2008, Mr. Szymanczyk telephoned Mr. Kessler to inform him that Altria had successfully completed its analysis and that his board of directors had authorized him to proceed with negotiations based upon the \$69.50 per share offer, but no higher. At that point, Mr. Kessler indicated the Company's willingness to proceed with negotiations based upon the \$69.50 per share offer and that the Company would send Altria a draft confidentiality agreement. Between August 5, 2008 and August 8, 2008, the parties negotiated the terms of the confidentiality agreement and Altria provided the Company with a limited due diligence request list. Mr. Szymanczyk reiterated that the transaction would not be subject to a financing condition and noted that the respective attorneys should address other relevant matters as they discussed the merger agreement. Mr. Szymanczyk also reiterated Altria's request for the Company's consent to Altria's approaching the credit rating agencies, which was granted shortly thereafter.

On August 7, 2008, the Company's board of directors conducted a regularly scheduled meeting at which time Mr. Kessler and the Company's legal and financial advisors updated the board on the status of the transaction, the terms of the proposed transaction and outside counsel's preliminary analysis of various regulatory matters.

On August 8, 2008, the parties executed the confidentiality agreement and Hunton & Williams LLP (H&W), Altria's outside legal counsel, sent a draft of the merger agreement to Skadden Arps for its and the Company's review.

Between August 6th and August 12th, the Company prepared to respond to Altria's due diligence requests. On August 13, 2008, management and advisors for both the Company and Altria met in the Boston office of Skadden Arps for a due diligence meeting, at which representatives of the Company responded to the due diligence questions previously posed by Altria.

On August 14, 2008, representatives of the Company, together with representatives of the Company's legal and financial advisors, met at the Company's headquarters to discuss the draft merger agreement. The Transaction Committee also met earlier on that day and, following the conclusion of the meeting of the Transaction Committee, Mr. Heid joined the meeting of the Company's management and legal and financial advisors to participate in the ongoing discussions and to share the perspectives of the Transaction Committee. Mr. Heid had been requested by the Transaction Committee to work with Mr. Kessler on matters pertaining to the draft merger agreement. During the course of the discussions, a consensus developed that the draft merger agreement did not adequately address the Company's desire for certainty of closing and should provide additional flexibility for the Company's board of directors to consider any third party interest presented following the announcement of a transaction with Altria. Accordingly, after considering the matter further, the management of the Company, with the concurrence of Mr. Heid, instructed legal counsel for the Company to send a revised draft of the merger agreement to H&W, which reflected, among other things, the following:

a reduction of the proposed termination fee payable by the Company to Altria should it terminate the merger agreement in order to accept a superior third party proposal (the Termination Fee) from 3.5% of the total merger consideration to 2% of the total merger consideration;

a number of revisions to the fiduciary out provisions of the merger agreement providing the Company's board of directors with greater flexibility to fulfill its fiduciary duties and to address any

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third party proposal received following the announcement of the transaction, including a reduction in the notice period which the Company must provide to Altria before accepting another proposal from 5 business days to 72 hours;

(i) an increase in the standard setting forth the level of action Altria must take to address regulatory matters from commercially reasonable efforts to best efforts and (ii) the inclusion of an affirmative obligation on the part of Altria to take any and all corporate actions necessary to address any potential concerns of regulators;

the inclusion of third party beneficiary rights for the Company's stockholders allowing the Company to sue on their behalf if the merger agreement were breached by Altria;

the inclusion of a right by the Company to extend the proposed nine-month end date for the merger agreement for up to three additional months to obtain regulatory approvals; and

the inclusion of additional exceptions to the matters which could give rise to a material adverse effect and the deletion of the disproportionate effect qualifier to certain exceptions, such as general economic conditions or changes in law, which would apply if those matters had a disproportionate effect on the Company in relation to others in its industry.

On August 19, 2008, H&W delivered a revised draft of the merger agreement to Skadden Arps. The draft contained Altria's revised positions, including, among other items:

the Termination Fee to be set at 3% of the total merger consideration;

the insertion of a reasonable best efforts standard to address regulatory matters, with no obligation on the part of Altria to take corporate actions to address any potential concerns of regulators;

the deletion of any third party beneficiary rights for the Company's stockholders;

the insertion of a right for either Altria or the Company to extend the nine-month end date for the merger for up to three additional months to obtain regulatory approvals; and

the reinsertion of the disproportionate effect qualifier on the exceptions to matters which could give rise to a material adverse effect.

Upon receipt and review of the revised merger agreement, discussions ensued between the Company's management and its legal and financial advisors on ways to enhance certainty of closing, while, at the same time, address Altria's unwillingness to assume unlimited risk should regulatory approvals not be received for any reason. The Transaction Committee also met to consider the revised draft of the merger agreement. Following further discussion, including input from the Transaction Committee, on August 21, 2008, the Company directed Skadden Arps to deliver a revised draft of the merger agreement to H&W, which included (i) a proposed reverse termination fee (in an amount yet-to-be agreed) payable to the Company by Altria (the Reverse Termination Fee) should the merger agreement be terminated due to the inability of the parties to obtain any required regulatory approval and (ii) an obligation on the part of Altria to take any actions that would not cause a material adverse effect on the Company in order to address any potential regulatory concerns. In addition, the draft reinserted third party beneficiary rights for the Company's stockholders in order to allow the Company to sue on their behalf, except for cases where the Reverse Termination Fee would be payable.

On August 22, 2008, the Company's and Altria's legal advisors met at H&W's offices in New York to discuss the revised draft of the merger agreement delivered by Skadden Arps the day before. At that meeting, representatives of H&W made it clear that Altria was concerned about the Company's second quarter financial results reported at the end of July. Such representatives also noted that Altria would not go forward with the proposed transaction if the Company insisted on third party beneficiary rights for its stockholders and/or the inclusion of a Reverse Termination Fee payable should regulatory approval not be obtained. Following the meeting, representatives of Skadden Arps contacted Mr. Kessler to report on the meeting, which included a review of the open issues. Mr. Kessler, in turn, consulted with various members of the Transaction Committee.

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On August 23, 2008, Mr. Kessler and Mr. Szymanczyk spoke via telephone to discuss the meeting between representatives of Skadden Arps and H&W and the key issues that remained open following such meeting. After much discussion, Mr. Kessler and Mr. Szymanczyk agreed to the principles that (i) each party would bear its own regulatory risk, but in order to facilitate each party's ability to consider the matter and receive informed advice from their respective advisors, the parties would engage in a reverse due diligence process and (ii) the merger agreement would not contain stockholder third party beneficiary rights but would include a reverse termination fee, payable in certain circumstances defined in the merger agreement. Mr. Kessler reported to the members of the Transaction Committee his conversations with Mr. Szymanczyk.

On August 24, 2008, H&W delivered a revised draft of the merger agreement to Skadden Arps. The revised draft generally reflected the discussions between Mr. Kessler and Mr. Szymanczyk, including, (i) a provision establishing a Reverse Termination Fee of \$200 million as the exclusive damages remedy if Altria were to breach its obligations pursuant to the merger agreement (including any failure to obtain financing), (ii) a provision clarifying that the Reverse Termination Fee is not applicable to a failure to obtain regulatory approvals or a breach of Altria's obligation to seek such regulatory approvals, and (iii) the exclusion of third party beneficiary rights for stockholders of the Company. The revised merger agreement also reflected a Termination Fee of \$312 million.

Between August 24, 2008 and August 28, 2008, the Company and its advisors discussed, with input from Mr. Heid and the other members of the Transaction Committee, the revised merger agreement draft and the Company, Altria and their respective advisors had a number of conversations in an effort to finalize the merger agreement. As a result of those conversations and the Transaction Committee's and the Company's board of directors, continued concern with respect, among other things, to the disparity in the various fees potentially payable under the merger, and the information available upon which the parties could assess regulatory matters, Altria and the Company, as part of a final resolution of issues, agreed to a reduction of the Termination Fee to \$250 million, to Altria not receiving such fee if the Company pursued another transaction provided that, at the time of the proposed end date, regulatory approvals had not been obtained, and to allow for additional cooperation and diligence relating to regulatory matters so that the respective boards could make a more informed judgment.

Given Altria's insistence that employment matters be resolved before entering into a merger agreement, on August 26, 2008, Messrs. Szymanczyk and Kessler commenced discussions relating to retention matters for general employees and new employment arrangements for officers of the Company other than Mr. Kessler. Mr. Kessler reported to various members of the Transaction Committee on his conversations with Mr. Szymanczyk. The next day, legal advisors for the Company, the Transaction Committee and Altria met in Washington D.C. to discuss regulatory matters and to exchange information related thereto.

On August 28, 2008, the Transaction Committee met to review the status of the negotiations and to receive an update on the status of its outside advisors' review of the regulatory approval process and results of the due diligence related thereto. On August 29, 2008, the Company's board of directors met to receive a report from a representative of the Transaction Committee, detailing the discussions which had taken place regarding key issues, as well as the final position of the parties on those issues, as reflected in the above description of prior discussions. At that meeting, following updates from the Transaction Committee, the Company's management and the Company's financial and legal advisors on the status of the negotiations and the terms of the draft merger agreement, Skadden Arps reviewed once again, the director's fiduciary duties. After discussion and consideration, the Company's board of directors directed the Company's advisors to engage in additional diligence relating to regulatory matters.

On August 30, 2008, Mr. Kessler and Mr. Szymanczyk spoke via telephone to discuss the Company's board of directors' request that the parties' respective outside legal advisors work to provide each other with additional diligence information relating to regulatory matters. Based on the agreement of Mr. Kessler and Mr. Szymanczyk that further cooperation should occur, the Company's, the Transaction Committee's and Altria's legal advisors met on September 3,

2008 to further discuss and exchange information related to regulatory matters.

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Between August 30, 2008 and September 5, 2008, Messrs. Szymanczyk and Kessler continued to discuss, and came to terms on, an appropriate retention program for general employees and new agreements for officers of the Company (other than for Mr. Kessler). In connection with these discussions, Mr. Kessler also indicated to Mr. Szymanczyk, after reviewing the matter with members of the Transaction Committee, his willingness to assist, post-closing, in the transition and with integration, although his interest was not in a long-term employment arrangement.

On September 4, 2008, the Transaction Committee held a meeting to receive an update on, and to discuss the status of, the negotiations and the terms of the merger agreement (including the results of the additional diligence conducted with respect to regulatory matters). On September 5, 2008, the Transaction Committee met to discuss further the terms of the merger agreement and the status of counsels' review of regulatory matters. Later that day, the Company's board of directors met and reviewed the terms and conditions of the proposed merger. At the meeting, representatives from Skadden Arps reviewed with the board of directors the proposed terms of the merger agreement and the fiduciary duties of the board of directors. In addition, representatives of Citi and Perella Weinberg made presentations with respect to the financial aspects of the \$69.50 per share price proposed by Altria. The members of the board of directors also discussed with the Company's management, financial advisors and the Company's and its outside legal counsel the terms of the merger agreement and the proposed merger, the potential regulatory execution risks associated with the potential transaction and the potential risks faced by the Company as a standalone entity. As part of those discussions, there was also consideration of the terms of the Reverse Termination Fee and the degree to which it could affect Altria's decision whether to proceed with the transaction, taking into account, among other things, Altria's commitment to the transaction as a business matter, the continued availability of specific performance as a possible remedy and the fact that, while the availability of a Reverse Termination Fee as an exclusive remedy for damages could serve to limit the aggregate amount of damages received by the Company if Altria were to breach its obligations, it served to remove the need to prove actual damages to the Company, which would likely prove difficult. Mr. Kessler, for the benefit of the directors, described the employment arrangements proposed by Altria. A description was also provided of certain matters to be presented for consideration by the compensation committee of the Company's board of directors (the Compensation Committee), principally relating to amendments to various Company benefit plans and other employee arrangements to help ensure compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the Code). Mr. Kessler then, in his capacity as Chief Executive Officer, expressed the support of management for the merger and the merger agreement. In his view, the transaction was good for stockholders as it delivered nearly a 30% premium to the Company's three-month average stock price, which exceeded, in his judgment, the potential price that the Company's internal plans would likely deliver, as well as being good for the future of the Company's brands and beneficial for most employees. Mr. Clancey, as chair of the Transaction Committee, also noted that the Transaction Committee would be recommending that the board of directors votes in favor, when asked to do so. Having heard a review of, and having had an opportunity to discuss and ask questions regarding, the merger and the merger agreement, the Company's board of directors agreed to meet on September 7, 2008 to further review the transaction and vote on whether to approve the merger and the merger agreement.

Also on September 5, 2008, the Compensation Committee met to consider various amendments to benefit plans and other employee arrangements, principally to help ensure compliance with the requirements of Section 409A of the Code. Following presentations from the Company's legal advisors describing the proposed amendments and further discussion, the Compensation Committee voted to recommend to the board of directors that the board adopt the proposed amendments. The Compensation Committee also approved a one-time payment, in lieu of any meeting or other fee, of \$125,000 to each member of the Transaction Committee in recognition of the extraordinary effort and time spent in the course of their duties with the committee.

Between September 5, 2008 and September 7, 2008, Skadden Arps, H&W and representatives of both parties finalized the merger agreement and related documents. In addition, on September 5, 2008, Mr. Kessler began negotiating an employment agreement with Altria to take effect following the effective time of the merger. On

September 6th and 7th, most of the officers of the Company, including Mr. Kessler, entered into

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new employment agreements with Altria, which would become effective at the effective time of the merger and replace their existing agreements with the Company.

On September 7, 2008, the Company's board of directors and the Transaction Committee held a joint meeting to further discuss and vote on the merger and the merger agreement. At that meeting, oral opinions, to the effect that, as of September 7, 2008, and based on and subject to the factors and assumptions described in each opinion, the \$69.50 cash per share merger consideration was fair, from a financial point of view, to the holders of shares of Common Stock, were rendered by representatives of Citi to the Company's board of directors and by representatives of Perella Weinberg to the Transaction Committee and the Company's board of directors. These opinions were subsequently confirmed by delivery of written opinions, each dated September 7, 2008, which are attached to this proxy statement as Annex C and Annex D.

Following careful consideration of the proposed merger agreement and the merger, including the presentation of Perella Weinberg and the other matters described under "Reasons for the Merger; Recommendation of Our Board of Directors" below, the Transaction Committee unanimously determined (i) that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to, and in the best interests of, the Company's stockholders, and (ii) to recommend that the Company's board of directors vote to (x) adopt the merger agreement and approve the merger and (y) resolve to recommend that the Company's stockholders vote in favor of the adoption of the merger agreement. Following careful consideration of the recommendation of the Transaction Committee, the presentations of Citi and Perella Weinberg and the other matters described under "Reasons for the Merger; Recommendation of Our Board of Directors" below, the board of directors unanimously (i) determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to, and in the best interests of, the Company's stockholders, (ii) voted to approve the merger agreement and the merger and (iii) resolved to recommend that the Company's stockholders vote in favor of the adoption of the merger agreement. Also, at the meeting, the board of directors voted to adopt the benefit plan amendments recommended by the Compensation Committee.

The parties executed the merger agreement on September 7, 2008 and issued a joint press release announcing the transaction on the morning of September 8, 2008.

On September 29, 2008, Mr. Szymanczyk telephoned Mr. Kessler to request that the Company give consideration to the entering into of an amendment of the merger agreement (the "Amendment"), which would provide Altria with the right, at its option, to extend the closing date of the merger to 2009, even if the conditions to closing were otherwise satisfied. Mr. Szymanczyk explained that while Altria had fully committed financing to complete the merger, Altria was requesting the Amendment, since Altria had been advised by its lenders that it would be preferable to close the transaction in 2009.

Following a review of this request with the Company's financial and legal advisors and members of the Transaction Committee, on September 30, 2008, Mr. Kessler telephoned Mr. Szymanczyk to request that Altria agree, in exchange, to increase the Reverse Termination Fee payable to the Company by Altria to \$300 million if the parties were otherwise in a position to close before the end of 2008 and Altria elected not to close until 2009. Mr. Szymanczyk agreed to the request and suggested that, given the year-end holidays, the day until which Altria would have a right to extend should be January 7, 2009. Mr. Kessler agreed and Mr. Szymanczyk indicated that H&W would prepare a draft of the Amendment for the Company's review.

On October 1, 2008, H&W sent a draft of the Amendment to Skadden Arps for review. Concurrently with Skadden Arps' and the Company's review of the draft Amendment, the Transaction Committee met telephonically to review the proposed Amendment. After discussion and input from members of the Company's management and its various financial and legal advisors, the Transaction Committee voted to recommend approval of the Amendment by our

board of directors. That evening, representatives of Skadden Arps and H&W and the respective parties finalized the form of the Amendment.

On the morning of October 2, 2008, the Company's board of directors met to review the proposed Amendment with members of the Company's management and financial and legal advisors. Following careful

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consideration of the proposed Amendment, the Company's board of directors, by a unanimous vote, adopted a resolution approving the Amendment. The parties promptly thereafter executed the Amendment.

Reasons for the Merger; Recommendation of Our Board of Directors

A joint meeting of the Transaction Committee and the Company's board of directors was held on September 7, 2008. At such meeting, after careful consideration, including a thorough review of the transactions contemplated by the merger agreement with the Transaction Committee's legal advisors and financial advisors, the Transaction Committee unanimously (i) determined that the terms of the merger agreement and the transactions contemplated thereby are fair to and in the best interests of the Company and the holders of shares of Common Stock, (ii) approved and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, and (iii) recommended to our board of directors that our board of directors approve and declare advisable the merger agreement and the transactions contemplated thereby and recommend that our stockholders vote FOR the adoption of the merger agreement and the approval of transactions contemplated thereby, including the merger, and FOR the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes in favor of approval of the merger agreement at the time of the special meeting.

Also at the September 7, 2008 meeting, our board of directors, by unanimous vote, after receiving the recommendation of the Transaction Committee, (i) determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to, and in the best interests of, the Company's stockholders, (ii) approved and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, (iii) directed that the merger agreement be submitted to stockholders for adoption, and (iv) resolved to recommend that our stockholders vote FOR adoption of the merger agreement and approval of the transactions contemplated thereby, including the merger, and FOR the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes in favor of approval of the merger agreement at the time of the special meeting. Our board of directors also voted to take all necessary steps so that the provisions of Section 203 of the Delaware General Corporate Law (the DGCL) and any other similar statutes or provisions of the Company's certificate of incorporation or bylaws that may purport to be applicable to the merger agreement do not apply to the execution and delivery of the merger agreement and the transactions contemplated thereby.

In reaching these determinations, the Transaction Committee and our board of directors considered a variety of business, financial, market and other factors, including the positive factors set forth below:

the fact that the merger will enable our stockholders to realize for each of their shares of Common Stock a price of \$69.50, which price exceeded the highest price at which Common Stock had previously traded and represented (i) a premium of approximately 29% to the \$54.04 closing sale price per share of Common Stock on the New York Stock Exchange (NYSE) on September 3, 2008, the last trading day before there was increased speculation in the marketplace regarding a possible transaction involving the Company, (ii) a premium of approximately 30% and 29%, respectively, over the average per share closing sale price during the one-month and three-month trading periods ending on September 3, 2008 which were \$53.38 and \$53.72, respectively, and (iii) a premium of approximately 3% over the closing sale price of \$67.55 on the NYSE on September 5, 2008, the last trading day before the announcement of the merger;

our Transaction Committee's and board of directors' belief, based in part on management's projections for the Company's future performance and the presentations prepared by both of the Company's financial advisors which utilized those projections, that the present value of any stock price to be achieved in the near to medium term would likely represent a discount to the consideration per share being offered by Altria pursuant to the

merger agreement;

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the fact that the consideration being offered by Altria pursuant to the merger agreement exceeded or was well within the range of the results of the various valuation analyses performed by both of the Company's financial advisors;

the opinion of Citigroup Global Markets, Inc., dated as of September 7, 2008, to the effect that, as of its date and based upon and subject to the assumptions, matters considered, qualifications and limitations set forth therein, the \$69.50 per share cash merger consideration to be received by the holders of the shares of Common Stock pursuant to the merger agreement is fair, from a financial point of view, to the stockholders of the Company. The full text of Citigroup Global Markets, Inc.'s opinion is attached to this proxy statement as Annex C, which sets forth the assumptions made, procedures followed, matters considered and qualifications to and limitations of the review undertaken in connection with the opinion. The Company, the Transaction Committee and our board of directors encourage you to read the opinion carefully and in its entirety, as well as the section below entitled "The Merger - Opinion of Citigroup Capital Markets Inc. ;

the opinion of Perella Weinberg Partners LP, dated as of September 7, 2008, to the effect that, as of its date and based upon and subject to the assumptions, matters considered, qualifications and limitations set forth therein, the \$69.50 per share cash merger consideration to be received by the holders of the shares of Common Stock pursuant to the merger agreement is fair, from a financial point of view, to the stockholders of the Company. The full text of the Perella Weinberg Partners LP's opinion is attached to this proxy statement as Annex D, which sets forth the assumptions made, procedures followed, matters considered and qualifications to and limitations of the review undertaken in connection with the opinion. The Company, the Transaction Committee and our board of directors encourage you to read the opinion carefully and in its entirety, as well as the section below entitled "The Merger - Opinion of Perella Weinberg Partners LP ;

the risks and challenges facing the Company and its ability to achieve results consistent with the targets set forth in the business plan deemed most achievable by the Company's management. Such risks and uncertainties include, among other things, the uncertainties associated with future potential regulation or taxation of tobacco products (including regulation by the Food and Drug Administration) and wine products, the risk of litigation associated with the prior sale of tobacco products, the trend of continuing consumer down-trading from premium smokeless tobacco brands to price-value brands and the highly competitive nature of the industries in which the Company operates;

the fact that the consideration to be received by our stockholders in connection with the merger is all in cash, allowing the Company's stockholders to realize promptly a price representing, in the Transaction Committee's and our board of directors' judgment, fair value in cash for their investment;

the history of the negotiations, including the efforts of the Transaction Committee, our board of directors and management to increase the consideration offered by Altria and to improve the terms and conditions of the merger agreement, including by obtaining contractual provisions in the merger agreement to increase the likelihood of completion of the merger;

the Transaction Committee's and our board of directors' belief, after reviewing the matter with the Company's management and our board of directors' financial advisors, that:

soliciting third party interest prior to the execution of the merger agreement was not in the best interests of the Company and its stockholders in light, among other things, of the risks perceived by the Transaction Committee and our board of directors of such activities to the ongoing operations of the Company and to the Company's ability to achieve a favorable transaction for the sale of the Company, including the risk that

seeking bids from other potential buyers could cause Altria to terminate its discussions with the Company or, if no other potential buyers emerge, lower its offer price; and

if other parties were to make an offer for a business combination transaction with the Company, any such offer would not likely provide greater consideration to the Company's stockholders than the \$69.50 per share Altria is offering, in light, among other things, of: (i) Altria's unique ability to

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realize strategic benefits and synergies from a business combination; (ii) the financial wherewithal of Altria relative to other companies in the tobacco industry; (iii) the absence of likely private equity or non-strategic buyers given the current state of the credit markets; (iv) the fact that other large companies in the Company's industry have recently completed large acquisitions such that it is not likely that they would seek to complete another large acquisition in the near future; and (v) other factors which could affect the interest and ability to pay of other parties;

the financial and other terms and conditions of the merger agreement and the fact that they were the product of extensive negotiations between the parties, including:

the fact that the Company is permitted to furnish information to and conduct negotiations with third parties that make an acquisition proposal if our board of directors determines that such proposal constitutes or may reasonably be expected to lead to a superior proposal;

the fact that the Company is permitted to terminate the merger agreement in order to recommend a competing proposal by a third party that is a superior proposal (as defined under The Merger Agreement Restrictions on Solicitations on page []), upon the payment to Altria of a \$250 million termination fee (see The Merger Agreement Termination of the Merger Agreement on page [] and The Merger Agreement Termination Fees and Expenses on page []), unless Altria were willing, in response, to improve the terms of the merger agreement so that the competing proposal is no longer superior;

the Transaction Committee's and our board of director's belief, after consultation with the Company's legal and financial advisors, that the \$250 million termination fee which may become payable in the event that the merger agreement is terminated under certain circumstances specified in the merger agreement is reasonable in light of the facts and circumstances surrounding the merger and upon which such fee may become payable, the benefits of the merger to the Company's stockholders, the Transaction Committee's and our board of director's belief that the size of the termination fee is not likely to deter third party interest post-announcement, and the practice in other large scale strategic transactions;

the fact that the merger agreement permits the Company to continue to declare regular quarterly cash dividends consistent with past practices pending consummation of the merger;

the fact that there would be no financing condition to the consummation of the merger;

the number and nature of the other conditions to Altria's obligations to consummate the merger; and

the fact that, other than customary terms of the merger agreement providing for indemnification and liability insurance (for six years from and after the effective time of the merger) for directors and the payment of fully vested phantom deferred units under the Company's Director Deferral Program, the non-employee directors will not receive any consideration in connection with the merger that is different from that received by any other stockholder of the Company (see The Merger Interests of Certain Persons in the Merger beginning on page []);

the fact that our stockholders will have an opportunity to vote on the merger agreement and that appraisal rights will be available to stockholders who comply with all requirements under Delaware law (see Dissenters Rights of Appraisal on page [] and Annex E);

the fact that Altria is a well known entity with significant financial capacity; and

the fact that both the Transaction Committee and our board of directors considered and reviewed the terms of the merger agreement, and provided guidance in the negotiations.

The Transaction Committee and our board of directors also considered potentially negative factors concerning the merger agreement and the merger, including the following:

the fact that not all conditions to the closing of the merger, including the satisfaction of regulatory matters, are within the control of the Company;

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the risk that the merger might not be completed in a timely manner or at all, and the risks and costs to the Company if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on business, customer and regulatory relationships;

the fact that the merger agreement provides that the Company may not claim stockholder damages in the event that Altria breaches the merger agreement and that Altria's exposure to monetary damages is limited in most circumstances to \$200 million;

the fact that Altria is not required by the merger agreement to make any divestitures or agree to business restrictions in order to obtain required regulatory approvals;

the fact that an all-cash transaction generally would be a taxable transaction to the Company's stockholders for U.S. federal income tax purposes;

the fact that the Company's stockholders will not have the opportunity to participate in future earnings or growth of the Company and will not benefit from future appreciation in value of the Company, if any;

the customary restrictions on the conduct of the Company's business prior to the completion of the merger, requiring the Company to conduct its business in all material respects only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger;

the requirement of the Company to pay Altria a \$250 million termination fee under specified circumstances and the possibility that such termination fee may discourage a competing proposal to acquire the Company;

the condition to Altria's obligation to consummate the merger agreement that there shall not have occurred a Company Material Adverse Effect; and

the fact that no other potential merger parties were solicited in connection with the transaction.

The factors above constitute the material factors considered by the Transaction Committee and our board of directors. The Transaction Committee and our board of directors considered all of the factors listed above as a whole and decided that in their totality such factors support the decision that our board of directors approve, adopt and authorize the merger agreement, the merger and the other transactions contemplated therein. The discussion of the information and factors considered by the Transaction Committee and our board of directors is not intended to be exhaustive and may not include all of the factors considered by the Transaction Committee or our board of directors. In view of the wide variety of factors considered by the Transaction Committee and our board of directors, and the complexity of these matters, the Transaction Committee and our board of directors did not find it practicable and did not quantify, rank or otherwise assign relative or specific values to any of the above factors or the other factors considered by it. In addition, the Transaction Committee and our board of directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the Transaction Committee and our board of directors may have given different weight to different factors.

The Transaction Committee and our board of directors considered all of the factors listed above as a whole and decided that in their totality such factors support the Transaction Committee's decision to recommend that our board of directors, and our board of directors' decision to, approve, adopt and authorize in all respects the merger agreement, the merger and the other transactions contemplated therein and to recommend that our stockholders vote FOR the adoption of the merger agreement.

Our board of directors recommends that you vote FOR the adoption of the merger agreement and approval of the merger contemplated therein and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

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Opinion of Citigroup Global Markets Inc.

Pursuant to an engagement letter dated as of July 1, 2008, we retained Citigroup Global Markets Inc. (Citi), and Citi agreed, to act as our financial advisor in connection with, among other things, preparing for any unsolicited proposal for a change of control, any potential proxy contest or shareholder consent solicitation, or a sale of all or a significant portion of our business, assets or securities, or a merger or similar combination of the Company with another entity. In selecting Citi, our board of directors considered, among other things, the fact that Citi is an internationally recognized investment banking firm which regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

In connection with our engagement, we requested that Citi evaluate the fairness, from a financial point of view, of the consideration to be received in the merger by holders of shares of Common Stock. On September 7, 2008, at a meeting of our board of directors held to evaluate the merger, Citi rendered to our board of directors an oral opinion, which was confirmed by delivery of a written opinion dated as of September 7, 2008, to the effect that, as of that date and based on and subject to the matters described in its opinion, the \$69.50 in cash per share merger consideration was fair, from a financial point of view, to the holders of shares of Common Stock.

The full text of Citi s written opinion, dated as of September 7, 2008, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement as Annex C and is incorporated into this proxy statement by reference. Citi s opinion was provided to the Company s board of directors in connection with its evaluation of the merger consideration from a financial point of view. Holders of shares of Common Stock are encouraged to read the opinion carefully in its entirety. Citi s opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger. Citi assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of its opinion.

In arriving at its opinion, Citi:

reviewed a draft dated as of September 7, 2008 of the proposed merger agreement;

held discussions with certain of our senior officers, directors and other representatives and advisors concerning our business, operations and prospects;

examined certain publicly available business and financial information relating to the Company;

examined certain financial forecasts and other information and data relating to the Company which were provided to or otherwise discussed with Citi by the Company s management;

reviewed the financial terms of the merger as set forth in the proposed merger agreement in relation to, among other things, current and historical market prices and trading volumes of shares of Common Stock, our historical and projected earnings and other operating data and our capitalization and financial condition;

considered, to the extent publicly available, the financial terms of certain other transactions which Citi considered relevant in evaluating the merger;

analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of the Company; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

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In rendering its opinion, Citi assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and upon the assurances of the Company's management that it was not aware of any relevant information that was omitted or remained undisclosed to Citi. With respect to financial forecasts and other information and data relating to the Company provided to or otherwise reviewed by or discussed with Citi, Citi was advised by our management that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of our management as to our future financial performance. Citi assumed, with our consent, that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition would be imposed that would have a material adverse effect on the merger, or the parties ability to effect the merger.

Citi did not make, and it was not provided with, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company, and Citi did not make any physical inspection of our properties or assets. With our consent, Citi, in arriving at its opinion, did not conduct an independent evaluation of any of the following or any impact of any of the following (including through any potential future developments with respect thereto) on the Company nor did Citi take into account any of such matters in rendering its opinion: (i) the pending and potential tobacco-related litigation (whether in a judicial or administrative proceeding and including any civil or criminal litigation or arbitration) against or affecting the Company or the tobacco industry or (ii) the proposal, enactment or adoption of any laws or regulations (including the imposition of additional taxes on the manufacture, sale or distribution of tobacco products) by any federal, state, local or other governmental or regulatory body or agency relating to or otherwise affecting the Company or the tobacco industry. Citi was not requested to, and Citi did not, solicit third party indications of interest in the possible acquisition of all or part of the Company, nor was Citi requested to consider, and Citi's opinion does not address, our underlying business decision to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which we might engage. Citi expressed no view as to, and its opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the merger consideration. Citi's opinion was necessarily based on information available to Citi, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In preparing its opinion, Citi performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citi's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Citi arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Citi believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular or summary/graphical format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citi considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond our control. No company, business or transaction used in those analyses as a comparison is identical or directly comparable to the Company or the merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations

and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

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The estimates contained in Citi's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Citi's analyses are inherently subject to substantial uncertainty.

Citi was not asked to, and did not, recommend the specific consideration payable in the merger. The type and amount of consideration payable in the merger were determined through negotiations between the Company and Altria and the decision to enter into the merger was solely that of our board of directors. Citi's opinion was only one of many factors considered by our board of directors in its evaluation of the merger and should not be viewed as determinative of the views of our board of directors or management with respect to the merger or the merger consideration.

The following is a summary of the material financial analyses presented to our board of directors in connection with Citi's opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand Citi's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Citi's financial analyses.

Stock Trading History and Implied Premiums

Citi considered the merger consideration of \$69.50 per share offered to holders of shares of Common Stock in the merger and calculated the implied premiums represented relative to (a) the closing sale price per share of Common Stock on or during (i) September 3, 2008, the last day of trading before there was increased speculation in the marketplace regarding a possible transaction involving the Company, (ii) the one-month period ended on September 3, 2008 and (iii) the three-month period ended on September 3, 2008, (b) the high price during the 52-week period ended on September 3, 2008, (c) the all time high on February 20, 2007, and (d) the median analyst target, as reported by Bloomberg as of September 3, 2008. The results of this analysis are set forth below:

	Implied Premium at \$69.50 Offer (%)
September 3, 2008	29
One-Month Average as of September 3, 2008	30
Three-Month Average as of September 3, 2008	29
52 Week High as of September 3, 2008	16
All time high (February 20, 2007)	14
Median Analyst Target as of September 3, 2008	16

Citi also calculated the implied premiums paid in all-cash transactions valued above \$10 billion since January 1, 2005, based on the target company's closing price per share one day prior to the announcement of the transaction (or, in the event that there were public reports prior to announcement of the transaction, the unaffected share price). This analysis resulted in a range of implied premiums of 25% to 35%, as compared to the 29% premium to the closing sale price per share of Common Stock on September 3, 2008 implied by the merger consideration of \$69.50 per share.

Table of Contents***Selected Precedent Transactions Analysis***

Using publicly available information, Citi reviewed transaction values in the following nine transactions:

Announcement Date	Acquiror	Target
July 2008	Philip Morris International Inc.	Rothmans Inc.
February 2008	British American Tobacco PLC	Skandinavisk Tobakskompagni A/S
February 2008	British American Tobacco PLC	Tekel A.S.
November 2007	Altria Group, Inc.	John Middleton, Inc.
March 2007	Imperial Tobacco Group PLC	Altadis S.A.
February 2007	Imperial Tobacco Group PLC	Commonwealth Brands
December 2006	Japan Tobacco Inc.	Gallaher Group PLC
April 2006	Reynolds American Inc.	Conwood Companies
March 2005	Altria Group, Inc.	PT HM Sampoerna Tbk.

These transactions were selected because they involved the acquisition of global tobacco companies for a value of more than \$1.5 billion since 2005. Citi reviewed, among other things, firm value (calculated as equity value implied by the purchase price plus straight debt, minority interest, straight preferred stock and out-of-the-money convertibles, less cash and long term equity investments valued at the current market price where available, and at book value where market price is not available) in each transaction as multiples of the last twelve months EBITDA for each target (calculated as earning before interest, taxes, depreciation and amortization). This analysis implied firm value multiples of last twelve months EBITDA ranging from 8.6x to 13.9x.

Citi applied a range of 10.0x to 14.0x to our last twelve months EBITDA. Financial data for the selected precedent transactions were based upon public filings and publicly available information at the time of announcement, and financial data for the Company were based upon internal estimates of the Company's management. This analysis indicated the following per share equity reference range for the Company, as compared to the per share merger consideration:

Equity Reference Range for UST Inc.	Per Share Merger Consideration
\$56.00 - \$82.00	\$ 69.50

Research Analyst Price Targets

Citi reviewed the reports of eight research analysts found in publicly available equity research. The analysis indicated the following per share reference range for the value of the Common Stock:

Wall Street Research Price Targets for UST Inc.	Per Share Merger Consideration

High	\$	65.00	\$	69.50
Low	\$	52.00	\$	69.50
Median	\$	60.00	\$	69.50

Discounted Cash Flow Analysis

Citi performed a discounted cash flow analysis to calculate the estimated present value of the standalone unleveraged, after-tax free cash flows that the Company could generate for calendar years 2009 through 2013. The analysis was based on the Plan A Projections provided by the Company's management to Citi (see Projected Financial Information beginning on page []). Citi also evaluated the Company's management's internal estimates after including projected profit contribution from potential innovative products that the Company has been devoting resources to develop that may be introduced in the future. Citi estimates for consolidated growth in unleveraged free cash flow for calendar years 2012 through 2013 were prepared based

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on our management's estimated compound annual growth rate for calendar years 2008 through 2011. Estimated terminal values for the Company were calculated by applying a perpetuity growth rate range of 0.75% to 1.25% to our calendar year 2013 estimated unleveraged free cash flow. The cash flows and terminal values were then discounted to present value using discount rates ranging from 6.75% to 7.25%, which range was derived utilizing a weighted average cost of capital analysis based on certain financial metrics, taking into account market volatility, for the Company and selected global tobacco companies. This analysis indicated the following implied per share equity reference ranges for the Common Stock, as compared to the per share merger consideration of \$69.50 per share:

Implied Per Share Equity Reference Ranges for UST Inc.

Management Plan	Management Plan with Innovation	Per Share Merger Consideration
\$55.00 - \$60.00	\$ 56.00 - \$67.00	\$ 69.50

Miscellaneous

Under the terms of Citi's engagement, we have agreed to pay Citi for its financial advisory services a fee, payable upon the consummation of the merger, equal to 0.30% of the total consideration (including liabilities assumed) payable in the merger (expected to be approximately \$36 million). We also have agreed to reimburse Citi for reasonable travel and other out-of-pocket expenses incurred by Citi in performing its services, including reasonable fees and expenses of its legal counsel, and to indemnify Citi and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Citi and its affiliates in the past have provided, and currently provide, services to the Company and Altria unrelated to the proposed merger, for which services Citi and such affiliates have received and expect to receive compensation, including, without limitation, (i) having advised and continuing to advise the Company in connection with corporate governance matters since 2006, (ii) having advised the Company in connection with the acquisition of Stag's Leap Wine Cellars, LLC in July 2007, (iii) having assisted the Company in connection with a refinancing of its revolving credit facility in July 2007, (iv) having advised Kraft Foods Inc. (a former subsidiary of Altria) in connection with such subsidiary's acquisition of the Spanish and Portuguese operation of United Biscuits Plc. in July 2006 through September 2006, (v) having advised Altria on the reorganization of its interests in the tobacco and beer businesses of E. Leon Jimenez in November 2006, (vi) having advised Altria on its acquisition of a 50.21% stake in Lakson Tobacco Company Limited in March 2007, (vii) having advised Altria in connection with the spin-off of Kraft Foods Inc. in April 2007, (viii) having advised the management of Altria in connection with the spin-off of Philip Morris International Inc. in March 2008, (ix) having acted as dealer manager for Altria in connection with the tender offer for certain of its investment grade debt in March 2008, and (x) having provided and continuing to provide general financial and brokerage services to Altria, including foreign exchange, cash management and trading services. In addition, Citibank, NA, an affiliate of Citi, is currently a lender under certain Altria loan facilities. In the ordinary course of Citi's business, Citi and its affiliates may actively trade or hold the securities of the Company and Altria for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with the Company, Altria and their respective affiliates.

Opinion of Perella Weinberg Partners LP

Pursuant to an engagement letter dated July 28, 2008, we retained Perella Weinberg Partners LP (Perella Weinberg) to act as the financial advisor to our board of directors and the Transaction Committee. Our board of directors and the

Transaction Committee selected Perella Weinberg to act as their financial advisor based on Perella Weinberg's qualifications, expertise and reputation, its knowledge of the industries in which we conduct our business and the fact that Perella Weinberg has not previously engaged in investment banking services for Altria. Perella Weinberg, as part of its investment banking business, is continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, leveraged buyouts and other transactions as well as for corporate and other purposes.

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In connection with our engagement, we requested that Perella Weinberg evaluate the fairness, from a financial point of view, of the consideration to be received in the merger by holders of shares of Common Stock. On September 7, 2008, Perella Weinberg rendered its opinion to our board of directors and the Transaction Committee, that, on September 7, 2008, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations set forth in such opinion, the merger consideration to be received by the holders of shares of Common Stock in the merger was fair, from a financial point of view, to such holders.

The full text of Perella Weinberg's opinion, dated as of September 7, 2008, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Perella Weinberg, is attached as Annex D and is incorporated by reference in this proxy statement. Holders of shares of Common Stock are urged to read the opinion carefully and in its entirety. The opinion does not address our underlying business decision to enter into the merger or the relative merits of the merger as compared with any other strategic alternative which may be available to the Company. The opinion does not constitute a recommendation to any holder of Common Stock as to how such holder should vote or otherwise act with respect to the proposed merger or any other matter. In addition, Perella Weinberg expressed no opinion as to the fairness of the merger to, or any consideration to, the holders of any other class of securities, creditors or other constituencies of the Company. Perella Weinberg provided its opinion for the information and assistance of our board of directors and the Transaction Committee in connection with and for the purposes of their evaluation of the merger. This summary is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Perella Weinberg, among other things:

reviewed certain publicly available financial statements and other business and financial information of the Company, including research analyst reports;

reviewed certain internal financial statements and other financial and operating data relating to the business and financial prospects of the Company, including a stand alone business plan and estimates and financial forecasts of the Company prepared by our management, that were provided to Perella Weinberg by or on our behalf and that our board of directors and the Transaction Committee directed Perella Weinberg to utilize for purposes of its analysis;

discussed the past and current operations, financial condition and financial prospects of the Company with our senior executives;

compared the financial performance of the Company (and the shares of Common Stock) with that of certain publicly traded companies (and their securities) which Perella Weinberg believed to be generally relevant;

compared the financial terms of the merger with the publicly available financial terms of certain transactions which Perella Weinberg believed to be generally relevant;

reviewed the reported price and trading activity of the Common Stock;

reviewed a draft dated as of September 7, 2008 of the merger agreement; and

conducted such other financial studies, analyses and investigations, and considered such other factors, as Perella Weinberg deemed appropriate.

In arriving at its opinion, Perella Weinberg assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information supplied or otherwise made available to it (including information that was available from generally recognized public sources) for the purposes of its opinion and further relied upon the assurances of our management that information furnished by them for purposes of Perella Weinberg's analysis did not contain any material omissions or misstatements of material fact. With respect to the stand alone business plan and financial forecasts and estimates referred to above, Perella Weinberg assumed, with the consent of our board of directors and the Transaction Committee, that they had been reasonably prepared on bases reflecting the best currently available estimates and good faith

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judgments of management as to the matters contained therein and Perella Weinberg expressed no view as to the assumptions on which they were based. In arriving at its opinion, Perella Weinberg did not make any independent valuation or appraisal of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company, nor was it furnished with any such valuations or appraisals, nor did Perella Weinberg evaluate the solvency of any party to the merger agreement under any state or federal laws relating to bankruptcy, insolvency or similar matters. Perella Weinberg relied as to all legal matters relevant to rendering its opinion upon the advice of counsel.

Perella Weinberg's opinion addressed only the fairness, from a financial point of view, as of the date of the opinion, of the merger consideration to be received by the holders of shares of Common Stock pursuant to the merger agreement. Perella Weinberg was neither asked to, nor did it, offer any opinion as to any other terms of the merger agreement or the form of the merger or the likely timeframe in which the merger would be consummated. In addition, Perella Weinberg expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, whether relative to the merger consideration to be received by the holders of shares of Common Stock pursuant to the merger agreement or otherwise. Perella Weinberg assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement, without material modification, waiver or delay. Perella Weinberg noted that the merger agreement permits us to pay regular quarterly dividends on shares of Common Stock of up to \$0.63 per share of Common Stock. Perella Weinberg did not express any opinion as to any tax or other consequences that may result from the transactions contemplated by the merger agreement, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which Perella Weinberg understood that we had received such advice as we deemed necessary from qualified professionals. Perella Weinberg was not authorized to solicit and did not solicit indications of interest in a transaction with the Company from any party.

Perella Weinberg's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Perella Weinberg as of, the date of the opinion. Subsequent developments may affect Perella Weinberg's opinion, and Perella Weinberg assumed no obligation to update, revise or reaffirm its opinion. Perella Weinberg expressed no opinion as to the fairness of the merger to, or any consideration to, the holders of any class of securities (other than Common Stock), creditors or other constituencies of the Company. With the consent of our board of directors and the Transaction Committee, in arriving at its opinion, Perella Weinberg did not conduct an independent evaluation of any of the following or any impact of any of the following (including through any potential future developments with respect thereto) on the Company nor did Perella Weinberg take into account any of such matters in rendering its opinion: (i) the pending and potential tobacco-related litigation (whether in a judicial or administrative proceeding and including any civil or criminal litigation or arbitration) against or affecting the Company or the tobacco industry or (ii) the proposal, enactment or adoption of any laws or regulations (including the imposition of additional taxes on the manufacture, sale or distribution of tobacco products) by any federal, state, local or other governmental or regulatory body or agency relating to or otherwise affecting the Company or the tobacco industry. Except as described above, the board of directors and the Transaction Committee imposed no other instructions or limitations on Perella Weinberg with respect to the investigations made or the procedures followed by Perella Weinberg in rendering its opinion.

The following is a brief summary of the material financial analyses performed by Perella Weinberg and reviewed by our board of directors and the Transaction Committee in connection with Perella Weinberg's opinion relating to the merger and does not purport to be a complete description of the financial analyses performed by Perella Weinberg. The order of analyses described below does not represent the relative importance or weight given to those analyses by Perella Weinberg. Some of the summaries of the financial analyses include information presented in tabular format. In order to fully understand Perella Weinberg's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and

assumptions underlying the analyses, could create a misleading or incomplete view of Perella Weinberg's financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based

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on market data as it existed on or before September 3, 2008 and is not necessarily indicative of current market conditions. Except as otherwise noted, the number of fully diluted shares of Common Stock was based on information set forth in the Company's Form 10-Q for the period ended June 30, 2008.

Historical Stock Trading and Transaction Premium Analysis

Perella Weinberg reviewed the historical trading prices per share of Common Stock for each of the one-month, two-month, three-month, six-month and one-year periods ending on September 3, 2008, which we refer to herein as the Reference Date. In addition, Perella Weinberg calculated the implied premium represented by the merger consideration relative to the following:

the closing sale price per share of Common Stock on the Reference Date;

the average closing sale price per share of Common Stock for each of the one-month, two-month, three-month, six-month and one-year periods ended on the Reference Date; and

each of the highest and lowest closing sale price per share of Common Stock during the one-year period ended on the Reference Date.

The results of these calculations and reference points are summarized in the following table:

	Price for Period Ended on the Reference Date	Implied Premium
Closing price on Reference Date	\$ 54.04	28.6%
One-month average	53.38	30.2
Two-month average	53.18	30.7
Three-month average	53.72	29.4
Six-month average	53.80	29.2
One-year average	53.67	29.5
One-year high	59.95	15.9
One-year low	47.40	46.6

Perella Weinberg also compared the relative trading performance per share of Common Stock for the year-to-date, one-year, three-year and five-year periods ending on the Reference Date to the S&P 500 Index and to the common stock of Altria and Reynolds American Inc. For the Company, Altria and Reynolds American Inc., Perella Weinberg assumed the reinvestment of dividends on each ex-dividend date. Perella Weinberg noted that for the year-to-date, one-year and three-year periods referenced above, the trading performance per share of Common Stock exceeded the trading performance of the S&P 500 Index, Altria and Reynolds American Inc., and for the five-year period referenced above, the trading performance per share of Common Stock exceeded the trading performance of the S&P 500 Index, but not for the trading performance of Reynolds American Inc. and Altria.

In addition, Perella Weinberg reviewed the historical multiples of closing sale price per share of Common Stock to net income per share during the five-year period ended at the Reference Date to the net income of the Company for the ensuing next four fiscal quarters, or the next twelve-month (NTM) period, following each trading day, respectively. Perella Weinberg reviewed the same for the S&P 500 Index. Perella Weinberg calculated the median of such multiples for each of the years from 2003 to 2007 and for 2008 up to the Reference Date and compared them for each

period including by calculating their respective ratios.

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The results of these analyses are summarized in the following table:

	Median of Closing Price per Share/ NTM EPS		
	UST Inc. (x)	S&P 500 (x)	Ratio (%)
For Year Ended September 3,			
2003	11.2	18.0	62.3
2004	12.0	17.1	70.2
2005	13.7	16.2	84.9
2006	14.5	15.5	93.7
2007	15.6	15.5	100.5
2008 Calendar Year-to-Date	14.4	13.6	105.9

Source: Factset

Implied Transaction Multiples

In performing this analysis, Perella Weinberg first derived implied enterprise values for the Company based on the closing price per share of Common Stock on the Reference Date and the merger consideration to be received by the holders of shares of Common Stock. The implied enterprise values were derived by calculating equity values of the Company by multiplying the number of fully diluted shares of Common Stock by the closing price per share of Common Stock on the Reference Date and by the merger consideration to be received by the holders of shares of Common Stock in the merger, and then, in each case, adding net debt and minority interest of the Company as of June 30, 2008, based on information set forth in the Company's Form 10-Q for the period then ended.

Perella Weinberg calculated the following multiples and ratios of historical and estimated financial results:

enterprise value as a multiple of last twelve months (LTM) earnings before interest, taxes, depreciation and amortization (EBITDA) as of June 30, 2008 based on information set forth in our Form 10-Q for the period then ended;

enterprise value as a multiple of estimated EBITDA for fiscal years 2008 and 2009 based on each of our management estimates and third party research analyst estimates; and

the ratio of price per share to estimated earnings per share (EPS), or price-to-earnings (P/E) ratio, for fiscal years 2008 and 2009 based on each of our management estimates and third party research analyst estimates.

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The results of these analyses are summarized in the following table:

	Based on Closing Price as of Reference Date (x)	Based on Merger Consideration (x)
Enterprise Value/LTM EBITDA	9.6	12.0
Enterprise Value/2008E EBITDA		
Management Estimates	9.6	12.0
Research Analyst Estimates	9.5	11.9
Enterprise Value/2009E EBITDA		
Management Estimates	9.3	11.6
Research Analyst Estimates	9.2	11.5
Price/2008E EPS		
Management Estimates	14.8	19.0
Research Analyst Estimates	14.8	19.0
Price/2009E EPS		
Management Estimates	14.1	18.1
Research Analyst Estimates	14.1	18.1

Selected Companies Analysis

Perella Weinberg reviewed and compared certain financial information for the Company to corresponding financial information, ratios and public market multiples for the following publicly traded companies in the tobacco industry deemed by Perella Weinberg to be relevant to its analysis:

Selected Companies**North America**

Altria Group, Inc.
Reynolds American Inc.
Lorillard, Inc.

International

Philip Morris International Inc.
British American Tobacco p.l.c.
Japan Tobacco Inc.
Imperial Tobacco Group plc
KT&G Corporation
Swedish Match AB

Perella Weinberg calculated and compared financial information and various financial market multiples and ratios of selected companies based on the closing price per share as of the Reference Date, information Perella Weinberg obtained from SEC filings and Factset for historical information and third party research analyst estimates for forecasted information. For the Company, Perella Weinberg made calculations based on the closing price per share of Common Stock on the Reference Date and utilized our management estimates for forecasted information.

With respect to the Company and each of the selected companies, Perella Weinberg reviewed, among other things:
enterprise value as a multiple of estimated EBITDA for calendar years 2008 and 2009; and
price per share as a multiple of estimated EPS for calendar years 2008 and 2009.

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The results of these analyses are summarized in the following table:

	Selected Companies				UST Inc. Management Estimate
	North America Mean	North America Median	International Mean	International Median	
Enterprise Value/					
2008E EBITDA	8.0x	8.1x	11.0x	10.7x	9.6x
2009E EBITDA	7.6x	7.8x	10.0x	10.0x	9.3x
Price/					
2008E EPS	12.7x	12.7x	17.1x	16.0x	14.8x
2009E EPS	11.8x	11.6x	15.3x	14.6x	14.1x

Based on the multiples calculated above and Perella Weinberg's analyses of the various selected companies and on judgments made by Perella Weinberg, Perella Weinberg applied certain ranges of multiples to estimated EBITDA of the Company for calendar years 2008 and 2009 and to estimated net income of the Company for calendar years 2008 and 2009 to calculate ranges of implied enterprise value. Perella Weinberg's calculations were based on (i) estimates of our management and (ii) third party research analyst estimates, and used the number of fully diluted shares of Common Stock. Perella Weinberg then derived from those ranges of implied enterprise value the mean of reference ranges of implied equity value per share of Common Stock as follows:

approximately \$47.75 to \$54.50, by applying multiples ranging from 9.0x to 10.0x to our management's estimates of EBITDA for calendar year 2008 and multiples ranging from 8.0x to 9.0x to the Company's management's estimates of EBITDA for calendar year 2009;

approximately \$48.50 to \$55.75, by applying multiples ranging from 14.0x to 16.0x to our management's estimates of net income for calendar year 2008 and multiples ranging from 12.5x to 14.5x to the Company's management's estimates of net income for calendar year 2009;

approximately \$48.25 to \$54.75, by applying multiples ranging from 9.0x to 10.0x to third party research analyst estimates of EBITDA for calendar year 2008 and multiples ranging from 8.0x to 9.0x to third party research analyst estimates of EBITDA for calendar year 2009; and

approximately \$48.50 to \$56.00, by applying multiples ranging from 14.0x to 16.0x to third party research analyst estimates of net income for calendar year 2008 and multiples ranging from 12.5x to 14.5x to third party research analyst estimates of our net income for calendar year 2009.

Although the selected companies were used for comparison purposes, no business of any selected company was either identical or directly comparable to our business. Accordingly, Perella Weinberg's comparison of the selected companies to us and analysis of the results of such comparisons was not purely mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and us.

Table of Contents***Selected Transactions Analysis***

Perella Weinberg analyzed certain information relating to the following selected transactions:

Transaction Announcement	Target	Acquiror
July 2008*	Rothmans Inc.	Philip Morris International Inc.
February 2008*	Skandinavisk Tobakskompagni A/S	British American Tobacco p.l.c.
February 2008	TEKEL A.S.	British American Tobacco p.l.c.
November 2007	John Middleton, Inc.	Altria Group, Inc.
March 2007*	Altadis, S.A.	Imperial Tobacco Group plc
February 2007	Commonwealth Brands, Inc.	Imperial Tobacco Group plc
December 2006*	Gallaher Group Plc	Japan Tobacco Inc.
April 2006*	Conwood Company, LLC	Reynolds American Inc.
March 2005*	PT HM Sampoerna Tbk.	Philip Morris International Inc.

For each of the selected transactions and for the merger, Perella Weinberg calculated and compared the resulting enterprise value in the transaction as a multiple of LTM EBITDA. For the selected transactions for which applicable information was publicly available, which are the transactions denoted by an asterisk in the table above, and for the merger, Perella Weinberg calculated and compared the resulting enterprise value in the transaction as a multiple of estimated one-year forward EBITDA. Multiples for the selected transactions were based on publicly available information at the time of the relevant transaction and third party research analyst estimates. Multiples for the merger were based on publicly available information and third party research analyst estimates and were calculated using the number of fully diluted shares of Common Stock.

The results of this analysis are summarized in the following table:

	LTM EBITDA	Enterprise Value/ One-Year Forward EBITDA
Selected Transactions		
Range	8.6x - 13.9x	9.4x - 13.6x
UST Inc. at Merger Consideration	12.0x	11.9x

Based on the multiples calculated above and Perella Weinberg's analyses of the various selected transactions and on judgments made by Perella Weinberg, Perella Weinberg applied certain ranges of multiples to LTM EBITDA of the Company, based on our publicly available filings and assuming no financial impact from the acquisition of Stag's Leap Wine Cellars, LLC, and to estimated EBITDA of the Company for calendar years 2008 and 2009 to calculate ranges of implied enterprise value. Perella Weinberg's calculations were based on (i) estimates of our management and (ii) third party research analyst estimates, and used the number of fully diluted shares of Common Stock. Perella Weinberg then derived from those ranges of implied enterprise value the mean of reference ranges of implied equity value per share of Common Stock as follows:

approximately \$62.75 to \$72.50, by applying multiples ranging from 12.0x to 13.5x to our LTM EBITDA, multiples ranging from 11.0x to 12.5x to our management's estimates of EBITDA for calendar year 2008 and multiples ranging from 9.5x to 11.0x to the Company's management's estimates of EBITDA for calendar year

2009; and

approximately \$63.00 to \$73.00, by applying multiples ranging from 12.0x to 13.5x to our LTM EBITDA, multiples ranging from 11.0x to 12.5x to third party research analyst estimates of EBITDA for calendar year 2008 and multiples ranging from 9.5x to 11.0x to third party research analyst estimates of EBITDA for calendar year 2009.

Although the selected transactions were used for comparison purposes, none of the selected transactions nor the companies involved in them was either identical or directly comparable to the merger, the Company or Altria. Accordingly, Perella Weinberg's comparison of the selected transactions to the merger and analysis of the results of such comparisons was not purely mathematical, but instead necessarily involved complex

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considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected transactions and of the merger.

Discounted Cash Flow Analysis

Our Management and Third Party Research Analyst Estimates. Perella Weinberg performed a discounted cash flow analysis to calculate the estimated present value as of September 3, 2008 of the estimated standalone unleveraged free cash flows, calculated as EBITDA less taxes, capital expenditures and increase in working capital and subject to other adjustments, that the Company could generate during fiscal years 2008 through 2012. Estimates of unleveraged free cash flows used for this analysis were based on our management's Plan A Projections (see Projected Financial Information beginning on page []) and third party research analyst estimates. For each case, Perella Weinberg used discount rates ranging from 6.75% to 7.25% based on estimates of the weighted average cost of capital of the Company, calculated present values of unleveraged free cash flows generated over the period described above and then added terminal values assuming terminal year multiples ranging from 9.5 to 10.5 times EBITDA. For purposes of these analyses, Perella Weinberg utilized the fully diluted number of shares of Common Stock. These analyses indicated reference ranges of implied equity values per share of Common Stock of approximately \$61.75 to \$69.00, based on our management's estimates, and approximately \$63.75 to \$71.25, based on third party research analyst estimates.

Innovative Products Case. Perella Weinberg also performed a discounted cash flow analysis to calculate the estimated present value as of September 3, 2008 of the estimated, incremental standalone unleveraged free cash flows that we could generate during fiscal years 2008 through 2012, based on a plan prepared by our management to introduce innovative tobacco products to the market. Estimates of incremental, unleveraged free cash flows related to the introduction of such new products to the market were prepared by our management. Perella Weinberg used a discount rate of 10.0% based on estimates of the weighted average cost of capital of the Company, calculated present values of unleveraged free cash flows generated over the period described above and then added terminal values based on a perpetual growth rate of 5.0%. For purposes of this analysis, Perella Weinberg utilized the fully diluted number of shares of Common Stock. This analysis indicated an implied incremental equity value per share of Common Stock of approximately \$1.75.

Miscellaneous

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth herein, without considering the analyses or the summary as a whole, could create an incomplete view of the processes underlying Perella Weinberg's opinion. In arriving at its fairness determination, Perella Weinberg considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis. Rather, Perella Weinberg made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the analyses described herein as a comparison is directly comparable to the Company or the merger.

Perella Weinberg prepared the analyses described herein for purposes of providing its opinion to our board of directors and the Transaction Committee as to the fairness, from a financial point of view, of the merger consideration to be received by the holders of shares of Common Stock in the merger, on the date of Perella Weinberg's opinion. These analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Perella Weinberg's analyses were based in part upon our management's standalone business plan and financial forecasts and estimates and third party research analyst estimates, which are not necessarily indicative of actual future results, and which may be significantly more or less favorable than suggested by Perella Weinberg's analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events

beyond the control of the parties to the merger agreement or their respective advisors, none of the Company, Perella Weinberg or any other person assumes responsibility if future results are materially different from those forecasted by our management or third parties.

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As described above, the opinion of Perella Weinberg to our board of directors and the Transaction Committee was one of many factors taken into consideration by our board of directors and the Transaction Committee in making their respective determinations to approve the merger. Perella Weinberg was not asked to, and did not, recommend the specific consideration payable in the merger, which consideration was determined through negotiations between Altria and us.

Pursuant to the terms of the engagement letter between Perella Weinberg and the Company, we have agreed to pay Perella Weinberg for its services, a fee of \$2.5 million in connection with Perella Weinberg's delivery of its opinion, a fee payable upon the consummation of the merger, equal to the greater of 0.10% of the transaction value (including liabilities assumed) and \$10 million (deducting in each case the \$2.5 million paid in connection with the opinion) and a fee, at the discretion of our board of directors, of up to 0.03% of the transaction value, including liabilities assumed. Without giving effect to any discretionary amount which may be awarded by our board of directors, the total amount is expected to be approximately \$11.5 million. In addition, we agreed to reimburse Perella Weinberg for its reasonable expenses, including attorneys' fees and disbursements, and to indemnify Perella Weinberg and related persons against various liabilities, including certain liabilities under the federal securities laws.

In the ordinary course of Perella Weinberg's business activities, Perella Weinberg or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity or other securities (or related derivative securities) or financial instruments (including bank loans or other obligations) of the Company or Altria or any of their respective affiliates. The issuance of Perella Weinberg's opinion was approved by a fairness committee of Perella Weinberg.

Certain Effects of the Merger

If the merger agreement is adopted by our stockholders and certain other conditions to the closing of the merger are satisfied, Merger Sub will be merged with and into the Company, with the Company being the surviving corporation. Following the merger, the entire equity in the Company will be controlled by Altria (through the conversion, at the time of the merger, of each share of Merger Sub into one share of Common Stock). Following the merger, the Company will continue to be named UST Inc.

When the merger is completed, each share of Common Stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by the Company as treasury stock or held by any wholly-owned subsidiary of the Company, or by Altria or Merger Sub or held by stockholders who are entitled to and who properly exercise appraisal rights in compliance with all of the required procedures under the laws of Delaware) will be converted into the right to receive \$69.50 in cash without interest, less any applicable withholding taxes.

Financing of the Merger

The obligations of Altria and Merger Sub under the merger agreement are not subject to any conditions regarding their or any other person's ability to obtain financing for the consummation of the merger and related transactions. Prior to executing the merger agreement, Altria and Merger Sub provided the Company with a commitment letter pursuant to which Altria has received a commitment from financial institutions, on terms specified in the commitment letter, to make available funds to Altria for the purpose of consummating the merger.

Interests of Certain Persons in the Merger

In considering the recommendation of our board of directors with respect to the merger, you should be aware that certain of our directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of our stockholders generally. These interests, to the extent material, are described below. Our board of

directors was aware of these differing interests and considered them, among other matters, in reaching its decision to approve the merger agreement and the merger and to recommend that you vote in favor of adopting the merger agreement.

Table of Contents**Treatment of Stock Options**

As of August 27, 2008, there were 3,373,895 outstanding shares of Common Stock subject to stock options granted under our Nonemployee Directors Stock Option Plan, Nonemployee Directors Restricted Stock Award Plan, 1992 Stock Option Plan (the 1992 Plan), Amended and Restated Stock Incentive Plan and 2005 Long-Term Incentive Plan (collectively, the Stock Plans).

Pursuant to the merger agreement, other than as described in the next succeeding paragraph, as of the effective time of the merger, each then-outstanding stock option, vested or unvested, will be cancelled and thereafter represent the right to receive, in full satisfaction of such option, a cash amount, less applicable withholding taxes, equal to the product of:

the number of shares of Common Stock subject to the option, and

the excess of \$69.50 over the exercise price per share of Common Stock subject to such option.

Upon stockholder approval of the merger, stock options granted under the 1992 Plan will be cancelled in exchange for a cash payment in an amount per share equal to the difference between the exercise price of such stock option and the average of the high and low trading price on the NYSE of a share of Common Stock on the date of stockholder approval. For purposes of the total cash value of all options calculation set forth in the table below, we have assumed a fair market value of \$69.50 per share of Common Stock for these stock options.

The table set forth below summarizes the outstanding vested and unvested options held by our directors, executive officers and one officer who served as an executive officer since the beginning of the last completed fiscal year as of August 27, 2008, and the consideration that each of them will receive in connection with the merger and the cash-out of their options, calculated based on the per share merger consideration of \$69.50.

Name	Number of Shares Subject to Unvested Options	Weighted Average Exercise Price per Share of Unvested Options (\$)	Number of Shares Subject to Vested Options	Weighted Average Exercise Price per Share of Vested Options (\$)	Total Cash Value of All Options (\$)
		Options (\$)		Options (\$)	
Directors					
John D. Barr			2,785	44.74	68,964
John P. Clancey			8,785	36.26	291,984
Patricia Diaz Dennis			2,785	46.07	62,251
Joseph E. Heid			1,285	53.08	21,106
Peter J. Neff			5,785	40.09	170,109
Andrew J. Parsons					
Ronald J. Rossi			1,285	53.08	21,106
Lawrence J. Ruisi					
Executive Officers					

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Theodor P. Baseler			88,400	34.11	3,128,492
Daniel W. Butler	50,000	38.35	10,000	39.31	1,859,400
Murray S. Kessler	150,000	53.47	231,600	40.83	9,044,888
Richard A. Kohlberger			49,200	40.20	1,441,338
Raymond P. Silcock	50,000	53.05			822,500
James D. Patracuolla ¹			83,400	35.14	2,865,869

¹ Mr. Patracuolla is not an executive officer of the Company but served in such capacity for an interim period since the beginning of 2007, the Company's last completed fiscal year.

Table of Contents***Treatment of Restricted Shares***

As of August 27, 2008, there were 724,215 outstanding restricted shares of Common Stock granted under our Stock Plans.

Pursuant to the terms of the merger agreement, other than as set forth below, as of the effective time of the merger, each then-outstanding share of restricted stock or share determined to be held if vesting based on performance criteria, will be cancelled and converted into the right to receive, in full satisfaction of such restricted share, a cash amount, less applicable withholding taxes, equal to the product of:

the number of restricted shares held, and

\$69.50.

The following table summarizes the outstanding restricted shares held by our executive officers and one officer who served as an executive officer for an interim period since the beginning of the last completed fiscal year as of August 27, 2008, and the consideration that each of them will receive in connection with the merger and cash-out of their restricted shares, calculated based on the per share merger consideration of \$69.50.

Name	Number of Restricted Shares	Value of Restricted Shares (\$)
Theodor P. Baseler	37,526	2,608,057
Daniel W. Butler	80,879	5,621,091
Murray S. Kessler	270,614	18,807,673
Richard A. Kohlberger	55,266	3,840,987
Raymond P. Silcock	18,925	1,315,288
James D. Patracuolla	25,426	1,767,107

Pursuant to the merger agreement, as of the effective time of the merger, any outstanding shares of restricted stock granted by the Company after September 7, 2008 will be assumed by Altria and converted into restricted shares of Altria common stock. Such restricted stock will be subject to the same time-based vesting as was applicable under the Stock Plans and the documents governing such award prior to the merger, and will have and be subject to such other terms and conditions as are applicable to similar Altria equity awards. The number of restricted shares of Altria common stock subject to such an assumed award will be based on a ratio that compares the per share merger consideration of \$69.50 and the closing sale price per share of Altria common stock on the NYSE on the closing date of the merger.

Treatment of Restricted Stock Units

As of August 27, 2008, there were 256,638 outstanding restricted stock units (RSUs) granted under our Stock Plans.

Pursuant to the terms of the merger agreement, other than as set forth below, as of the effective time of the merger, each then-outstanding RSU or RSU determined to be held if vesting based on performance criteria, will be cancelled and converted into the right to receive, in full satisfaction of such RSU, a cash amount, less applicable withholding taxes, equal to the product of:

the number of shares of Common Stock equal to the number of RSUs held, and

\$69.50.

As of August 27, 2008, none of our executive officers and non-employee directors held RSUs. Pursuant to the merger agreement, as of the effective time of the merger, any outstanding RSUs granted by the Company after September 7, 2008 will be assumed by Altria and converted into RSUs that may be settled in Altria common stock. Such RSUs will be subject to the same time-based vesting as was applicable under the Stock Plans and the documents governing such award prior to the merger, and will have and be subject to such other terms and conditions as are applicable to similar Altria equity awards. The number of shares of Altria common stock subject to such an assumed award will be based on a ratio that compares the per share

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merger consideration of \$69.50 and the closing sale price per share of Altria common stock on the NYSE on the closing date of the merger.

Treatment of Director Deferred Phantom Units

As of August 7, 2008, there were approximately 41,619 outstanding fully vested deferred phantom units, including phantom dividend shares, credited under our Director Deferral Program to our active non-employee directors. These units representing previously deferred fees, as well as any additional units credited after the date hereof, are and will be fully vested at all times and become distributable to the director upon a change in control of the Company.

Pursuant to the terms of the merger agreement, as of the effective time of the merger, each then-outstanding deferred phantom unit will be converted into the right to receive, in full satisfaction of such deferred phantom unit, a cash amount, subject to applicable taxes, equal to the product of:

the number of shares of Common Stock equal to the number of deferred phantom units, and
\$69.50.

Non-Qualified Retirement Plans

The Company maintains non-qualified retirement plans for the benefit of a select group of management and highly compensated employees, including the Company's executive officers (collectively, the Non-qualified Retirement Plans).

In connection with the merger, on September 7, 2008, the Company approved amendments to the Non-qualified Retirement Plans, subject to the consummation of the merger, to provide for a lump sum distribution of accrued benefits under the Company's Officers' Supplemental Retirement Plan and the Benefit Restoration Plan to active participants, including the Company's executive officers, on the earlier to occur of (i) a participant's termination of employment following the effective time of the merger or (ii) December 31, 2010, and to freeze future benefit accruals as of December 31, 2008.

These amendments to the Non-qualified Retirement Plans were memorialized in letter agreements, dated as of September 7, 2008, between the Company and the affected officers, including each executive officer of the Company (the Letter Agreements). The Letter Agreements provide that the aggregate amount of the lump sum payments to be paid to the officers pursuant to the Non-qualified Retirement Plans will be deposited into a grantor trust subject to the claims of the Company's creditors no later than the effective time of the merger. In addition, the Letter Agreements provide that such lump sum payment amounts will earn interest at the monthly average of daily discount rates on one-year Treasury Bills for November 2008 and calculated for the period beginning on December 31, 2008, and ending on the date of the lump sum payment.

The following table summarizes the approximate amount of the lump sum payment to be paid under the Non-qualified Retirement Plans to each of the officers named therein, assuming that the closing of the merger occurs and each officer incurs a termination of employment on December 31, 2008.

Name	Non-qualified Retirement Plans Payout (\$)
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Theodor P. Baseler	3,575,603
Daniel W. Butler	4,161,746
Murray S. Kessler	8,393,113
Richard A. Kohlberger	5,363,288
Raymond P. Silcock	4,904,517
James D. Patracuolla	2,310,792

The Company also maintains the Nonemployee Directors Retirement Plan, a non-qualified retirement plan, that applies to directors whose service as a director commenced prior to March 1, 2005. At the effective

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time of the merger, the present value of the accumulated benefits under the plan will be funded in a grantor trust for the benefit of each active director who is a participant in the plan.

Employment Agreements with Altria

Altria has entered into employment agreements with 27 of the Company's officers, including Messrs. Baseler, Butler, Kessler, Silcock and Patracuolla (who served as an executive officer for an interim period since the beginning of the last fiscal year but is not currently an executive officer). These agreements will become effective at the effective time of the merger. Once effective, the agreements will supersede each officer's existing employment or severance agreement with the Company. The material terms of the employment agreements with our executive officers are described below.

Mr. Kessler

Mr. Kessler has entered into an employment agreement with Altria on September 7, 2008 (the Kessler Agreement), the initial term of which ends on the first anniversary of the effective time of the merger, subject to earlier termination as provided in the Kessler Agreement. Upon expiration of the initial term, the Kessler Agreement will automatically be extended for one additional year unless either Mr. Kessler or Altria delivers written notice to the other that the Kessler Agreement will not be so extended.

The Kessler Agreement provides that, on the six-month anniversary of the effective time of the Kessler Agreement, Mr. Kessler will receive a lump sum cash payment of \$6,170,793, which is equal to the cash lump sum severance and the cash value of the life and group health benefits to which he would have been entitled upon termination of his employment under his existing employment agreement with the Company.

Pursuant to the Kessler Agreement, Mr. Kessler will receive a base salary that is at least equal to his current salary with the Company (\$1,065,000) and will be designated as a Band B employee of Altria. The Kessler Agreement provides that Mr. Kessler is entitled to participate in Altria's annual cash incentive plan on a level consistent with other Band B employees of Altria, which currently provides for a target of 90% of base salary for Band B employees. Mr. Kessler is entitled to a grant at the effective time of the Kessler Agreement of an award of restricted shares of Altria common stock having a fair market value of \$2,500,000. This initial restricted stock grant will vest on the first anniversary of the effective time of the Kessler Agreement, subject to Mr. Kessler's continued employment with Altria.

Mr. Kessler is entitled under the Kessler Agreement to be reimbursed for any legal fees and expenses he incurs in seeking to enforce his rights under the Kessler Agreement and any expenses he incurs in connection with any tax audit or proceeding arising from the application of the golden parachute tax rules to payments and benefits under the Kessler Agreement.

The Kessler Agreement provides that if, during the term of the Kessler Agreement, Altria terminates Mr. Kessler's employment without cause or disability or if Mr. Kessler resigns for good reason (each term as defined in the Kessler Agreement), Mr. Kessler will be entitled to (i) full vesting of the initial grant of restricted shares of Altria common stock on the later of the date of such termination or January 1, 2009, (ii) in lieu of participation in the Management Incentive Plan, a cash payment equal to the value of the annual incentive award he would have received under the plan had he remained employed, prorated at target for the period of participation, and (iii) payment of any as-yet-unpaid vested accrued benefits. To the extent necessary to comply with section 409A of the Internal Revenue Code of 1986, as amended (the Code), the timing of payment of certain benefits under the Kessler Agreement may be modified. If any payments or benefits Mr. Kessler receives in connection with the merger are determined to be subject to an excise tax pursuant to section 4999 of the Code, Mr. Kessler will be entitled to an additional gross-up payment to make him whole for the excise tax and the taxes on the gross-up payment, provided that if the parachute value of such

merger-related payments and benefits do not equal or exceed 110% of the amount that could be paid to Mr. Kessler without incurring the excise tax, the payments and benefits will be reduced to the extent necessary to avoid incurring the excise tax.

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The estimated tax gross-up payment that would be made to Mr. Kessler, assuming that the closing of the merger occurs on December 31, 2008 and further assuming that a qualifying termination of Mr. Kessler's employment occurs immediately thereafter is \$12,992,000. The actual amount of the gross-up payment may be more or less than such estimated amount.

Under the Kessler Agreement, Mr. Kessler has agreed to a covenant concerning confidential information, and to post-termination non-competition and non-solicitation covenants.

Messrs. Baseler, Butler and Silcock

Each of Messrs. Baseler, Butler and Silcock has entered into an employment agreement with Altria on September 7, 2008 (collectively, the "Other Agreements"), with a term ending on the second anniversary of the effective time of the merger, subject to earlier termination as provided in the applicable Other Agreement. Each of the Other Agreements provides for a base salary that is substantially similar to the executive's current salary with the Company and designates the executive officer as a "Band D" employee of Altria (except for Mr. Butler who is designated as a "Band C" employee). Each of the Other Agreements provides for participation in Altria's annual and three-year long-term cash incentive plans on a level consistent with other "Band D" employees of Altria ("Band C" for Mr. Butler), which currently provides for a target of 60% of base salary under the annual plan for "Band D" employees (80% for "Band C"), and a target of 75% of base salary for each of the years of the performance period under the three-year long-term incentive plan for "Band D" employees (125% for "Band C"). Each such executive officer is entitled to a grant at the effective time of the applicable Other Agreement of an award of restricted shares of Altria common stock having a fair market value of no less than the following amounts: \$2,421,400 for Mr. Baseler; \$3,045,000 for Mr. Butler; and \$2,783,800 for Mr. Silcock. This initial restricted stock grant will vest on the second anniversary of the effective time of the merger, subject to such executive officer's continued employment with Altria. Each such executive officer will also be eligible for annual grants of equity under Altria's programs at such time as Altria's other executives are normally awarded annual equity grants.

Each such executive officer is entitled under the applicable Other Agreement to be reimbursed for any legal fees and expenses he incurs in connection with enforcing his rights under the applicable Other Agreement and any expenses he incurs in connection with any tax audit or proceeding arising from the application of the "golden parachute" tax rules to payments and benefits under the applicable Other Agreement.

Each of the Other Agreements provides that if, during the term of the applicable Other Agreement, Altria terminates the executive's employment without "cause" or disability or if the executive resigns for "good reason" (each term as defined in the applicable Other Agreement), the executive will be entitled to (i) full vesting of the initial grant of restricted shares of Altria common stock on the later of the date of such termination or January 1, 2009, (ii) in lieu of participation in the cash incentive programs of the Company, a cash payment equal to the value of the awards the executive would have received under the annual Management Incentive Plan and the 2008-2010 Long-Term Incentive Plan had the executive remained employed, prorated at target for the period of participation, (iii) continued life insurance coverage and health benefits at no cost to the executive for 24 months and (iv) payment of any as-yet-unpaid vested accrued benefits. To the extent necessary to comply with section 409A of the Code, the timing of payment of certain benefits under the Other Agreement may be modified. If any payments or benefits the executive receives in connection with the merger are determined to be subject to an excise tax pursuant to section 4999 of the Code, the executive will be entitled to an additional gross-up payment to make him whole for the excise tax and the taxes on the gross-up payment, provided that if the "parachute value" of such merger-related payments and benefits do not equal or exceed 110% of the amount that could be paid to the executive without incurring the excise tax, the payments and benefits will be reduced to the extent necessary to avoid incurring the excise tax.

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The table below quantifies the estimated tax gross-up payments that would be made to the officers named therein, assuming that the closing of the merger occurs on December 31, 2008 and further assuming that a qualifying termination of employment occurs immediately thereafter. The actual amount of gross-up payments to which each executive may become entitled may be more or less than the estimated amount below.

Name	Estimated Gross-up Payment (\$)
Daniel W. Butler	5,311,000
Raymond P. Silcock	3,708,000

Under the Other Agreements, each of the executive officers has agreed to a covenant concerning confidential information, and to post-termination non-competition and non-solicitation covenants.

Other Employment-Related Agreements

Mr. Kohlberger has not entered into an employment agreement with Altria and remains subject to the terms and conditions of his existing employment agreement and severance agreement with the Company. Mr. Kohlberger's employment agreement and severance agreement with the Company are separate agreements and will each provide benefits to Mr. Kohlberger, with no offset, as set forth below.

Mr. Kohlberger's employment agreement was entered into on June 30, 2000. His employment agreement with the Company provides that he will be entitled to certain severance benefits if: (i) he is dissatisfied at any time with his reporting relationship or duties or the Company breaches his employment agreement and the Company fails to cure such breach within 15 days following receipt of proper notice; (ii) his employment is terminated by mutual consent (as defined in his employment agreement); or (iii) his employment is terminated other than for cause or disability (each as defined in his employment agreement). The severance benefits that would be payable to Mr. Kohlberger consist principally of the continuation of his salary, the highest amount payable to him under the Company's Incentive Compensation Plan and certain welfare benefits (including all life, health, medical and survivor income plans) over a period of three years from the date of his termination of employment. In addition, Mr. Kohlberger's employment agreement provides that, under the Officers' Supplemental Retirement Plan, in the event of death, disability or retirement he will be deemed to have accrued the number of months of age and service credits as if he had continued employment through his 65th birthday. The Company is also required to pay up to \$100,000 in legal fees relating to a termination of his employment other than for cause, disability or by mutual consent. Pursuant to Mr. Kohlberger's employment agreement, Mr. Kohlberger has agreed not to engage in competitive activity (as defined in his employment agreement) during any period for which he is entitled to severance or welfare benefit continuation.

Mr. Kohlberger's severance agreement was entered into on October 27, 1986, and sets forth certain benefits to be paid to Mr. Kohlberger upon a qualifying termination of employment following a change in control of the Company. The initial term of Mr. Kohlberger's severance agreement is three years and is generally automatically extended every year. In addition, Mr. Kohlberger's severance agreement expires no earlier than two years following a change in control. If the Company terminates Mr. Kohlberger's employment within the two-year period following a change in control for any reason other than death, disability or cause or if he terminates his employment for good reason (as such terms are defined in his severance agreement), he is entitled to benefits consisting of a lump sum severance payment equal to three times the sum of his base salary and the highest payment under the Company's Incentive Compensation Plan made to him in any of the preceding three years, provided that such Incentive Compensation Plan amount is limited to 75% of base salary for this purpose.

The amount of cash severance that will be payable to Mr. Kohlberger, assuming that the closing of the merger occurs on December 31, 2008 and further assuming that a qualifying termination of employment occurs as of the effective time of the merger, is estimated to be approximately \$7,709,000.

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Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders

The following discussion summarizes the material U.S. federal income tax consequences of the merger to holders of shares of Common Stock. This summary is based on current law as of the date hereof, is for general informational purposes only and does not purport to be a complete description of all of the tax consequences of the merger. The information in this section is based on the Internal Revenue Code of 1986, as amended (the Code), applicable U.S. Treasury regulations issued thereunder, current administrative interpretations of the U.S. Internal Revenue Service (IRS), and court decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. We cannot assure you that future legislation, U.S. Treasury regulations, administrative interpretations and court decisions will not significantly change the current law or adversely affect existing interpretations of current law. Any such change could apply retroactively. No ruling from the IRS has been or will be sought with respect to any of the tax consequences of the merger and the statements in this proxy are not binding on the IRS or any court. We can provide no assurance that the tax consequences described below will not be challenged by the IRS or will be sustained by a court if so challenged.

This summary does not address all aspects of taxation that may be relevant to you in light of your specific circumstances. Except as indicated otherwise, this summary does not address the tax treatment of holders of shares of Common Stock subject to special treatment under the U.S. federal income tax laws, including, without limitation, banks and other financial institutions, insurance companies, tax-exempt organizations, mutual funds, individual retirement accounts and other tax deferred accounts, dealers in securities or currencies, traders in securities that elect to apply a mark-to-market method of accounting for their securities holdings, persons whose functional currency is not the U.S. dollar, persons holding their shares of Common Stock as part of a hedging transaction, conversion transaction or constructive sale or as a position in a straddle, and holders who acquired their shares of Common Stock pursuant to the exercise of employee stock options or warrants or otherwise as compensation.

For purposes of this discussion, a U.S. holder means a beneficial owner of shares of Common Stock that for U.S. federal income tax purposes is:

an individual citizen or resident of the United States;

a corporation or other entity subject to tax as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States or any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for such purposes.

For purposes of this discussion, a non-U.S. holder is a beneficial owner (other than a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) of shares of Common Stock that is not a U.S. holder. If an entity treated as a partnership for U.S. federal tax purposes holds shares of Common Stock, the tax treatment of its partners or members generally will depend upon the status of the partner or member and the activities of the entity. If you are such an entity, a partner of a partnership or a member of a limited liability company or other entity classified as a partnership for U.S. federal income tax purposes holding shares of Common Stock, you should consult your own tax advisor.

This discussion assumes that your shares of Common Stock are held as capital assets within the meaning of Section 1221 of the Code. This summary does not address U.S. federal alternative minimum tax consequences, consequences under the tax laws of any state, local or foreign jurisdiction, or any estate, gift or other non-income tax considerations.

WE URGE YOU TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE MERGER AND RELATED TRANSACTIONS, INCLUDING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF YOUR SHARES.

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U.S. Holders

Exchange of Shares of Common Stock for Cash Pursuant to the Merger. The receipt of cash by a U.S. holder in exchange for its shares of Common Stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes (and also may be a taxable transaction under applicable state, local, foreign and other income tax laws). In general, a U.S. holder will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received by such holder in exchange for its shares of Common Stock and the holder's adjusted tax basis in such shares. Gain or loss, as well as the holding period, will be determined separately for each block of shares of Common Stock surrendered for cash pursuant to the merger, with a block consisting of shares of Common Stock acquired at the same cost in a single transaction. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the shares of Common Stock have been held for more than one year at the effective time of the merger. Such gain or loss will generally be short-term capital gain or loss if at the effective time of the merger the shares of Common Stock have been held for one year or less. Individual and certain other non-corporate U.S. holders who recognize long-term capital gains are generally eligible for preferential rates of taxation. The deductibility of capital losses is subject to certain limitations.

Backup Withholding and Information Reporting. The receipt of cash by a U.S. holder in exchange for its shares of Common Stock pursuant to the merger may be subject to information reporting and backup withholding tax at the applicable rate (currently at a rate of 28%), unless the U.S. holder (i) timely furnishes an accurate taxpayer identification number and otherwise complies with applicable U.S. information reporting or certification requirements (typically by completing and signing an IRS Form W-9, or a Substitute Form W-9, a copy of which will be included as part of the letter of transmittal to be timely returned to the paying agent) or (ii) is a corporation or other exempt recipient and, when required, properly establishes such fact. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

Non-U.S. Holders

Exchange of Shares of Common Stock for Cash Pursuant to the Merger. The receipt of cash by a non-U.S. holder in exchange for shares of Common Stock pursuant to the merger generally will be exempt from U.S. federal income tax, unless:

the non-U.S. holder is an individual who was present in the United States for 183 days or more in the taxable year of the merger and certain other conditions are met;

the gain, if any, is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States (and, if certain income tax treaties apply, is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States); or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes at any time within the shorter of the five-year period ending at the effective time of the merger or the period that the non-U.S. holder held shares of Common Stock. We do not believe that we have been, currently are, or will become, a United States real property holding corporation. If we were or were to become a United States real property holding corporation at any time during the applicable period, however, any gain recognized by a non-U.S. holder upon the receipt of cash in exchange for shares of Common Stock pursuant to the merger by a non-U.S. holder that did not own (directly, indirectly or constructively) more than 5% of the outstanding shares of Common Stock during the applicable period would not be subject to U.S. federal income tax, provided that Common Stock is regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the Code) in the calendar year of the merger.

Individual non-U.S. holders who are subject to U.S. federal income tax because the holders were present in the United States for 183 days or more during the year of the merger are taxed on their gains (including gains from the sale of shares of Common Stock and net of applicable U.S. losses from sales or exchanges of

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other capital assets recognized during the year) at a flat rate of 30% or such lower rate as may be specified by an applicable income tax treaty. Other non-U.S. holders subject to U.S. federal income tax with respect to gain recognized on the receipt of cash in exchange for shares of Common Stock pursuant to the merger generally will be taxed on any such gain in the same manner as if they were U.S. holders and, in the case of foreign corporations, such gain may be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty).

Backup Withholding and Information Reporting. In general, non-U.S. holders will not be subject to backup withholding and information reporting with respect to the receipt of cash in exchange for shares of Common Stock pursuant to the merger if they provide the paying agent with an IRS Form W-8BEN (or an IRS Form W-8ECI if the gain is effectively connected with the conduct of a U.S. trade or business by such non-U.S. holders) and we or our paying agent do not have actual knowledge (or reason to know) that the holder is a U.S. holder. If shares of Common Stock are held through a foreign partnership or other entity treated as a partnership for U.S. federal income tax purposes, certain documentation requirements may also apply to such partnership or other entity. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

HOLDERS OF SHARES OF COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS IN THEIR PARTICULAR CIRCUMSTANCES.

Regulatory and Other Governmental Approvals

Hart-Scott-Rodino

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice (the Antitrust Division or DOJ) and the U.S. Federal Trade Commission (FTC) under the HSR Act. The Company and Altria have filed their requisite Premerger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC on September 19 2008, which triggered an initial 30-day waiting period during which Altria cannot acquire or exercise operational control of the Company. This waiting period will expire on October 20, 2008, unless the FTC and DOJ grant the parties' request for early termination of the waiting period or one of the agencies issues a request for additional information or documentary material (Second Request). The issuance of a Second Request extends the HSR Act waiting period until Altria and the Company each certify that it has substantially complied with its own Second Request. Compliance with a Second Request requires both parties to submit responses to detailed interrogatories and broad document requests, which can take up to several months. Once both parties have complied with their Second Requests, the reviewing agency has 30 days to complete its review. The parties often agree with the reviewing agency not to consummate the transaction even after the second 30-day waiting period. At the close of its review, the reviewing agency has the options of closing its investigation without taking any enforcement action, negotiating a consent decree with the parties to resolve any remaining competitive concerns or, if such concerns are not resolved, instituting a lawsuit in a U.S. federal court to enjoin the merger. The Antitrust Division, the FTC, state Attorneys General or private parties may also challenge the merger on antitrust grounds either before or after the transaction has closed. Accordingly, while the parties believe that the transaction complies with the applicable antitrust law, it is possible that at any time before or after expiration or termination of the HSR Act waiting period or even after the completion of the merger, any of the Antitrust Division, the FTC, state Attorneys General or private parties could take action under the antitrust laws as deemed necessary or desirable in the public or other interest, including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions.

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Other Foreign and Certain Other Regulatory Matters

The merger may be subject to certain regulatory requirements of other municipal, state, federal and foreign governmental and self-regulatory agencies and authorities, including certain notifications and approvals relating to our wine business unit (except those approvals the failure of which to obtain would not reasonably be expected to have a Company Material Adverse Effect (as defined under The Merger Agreement Representations and Warranties on page [])). Together with Altria, we are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger. Altria has the right to extend the closing date up to a date not beyond January 7, 2009 if any required pre-approval of any authority regulating the Company's wine business unit has not been obtained at the time all other conditions to the merger have been waived or fulfilled.

The transaction is subject to a notification obligation under the Brazilian antitrust laws. On September 26, 2008, the companies made a filing with the applicable antitrust regulator in Brazil. The Brazilian review process consists of three phases, two phases of 30 calendar days and one phase of 60 calendar days. In accordance with Brazilian law, the regulatory review process is not required to be completed before the effective time of the merger.

It is possible that one or more of the regulatory approvals required to complete the merger will not be obtained on a timely basis or at all. In addition, it is possible that any of the governmental entities with which filings are made may seek regulatory concessions as conditions for granting approval of the merger. Under the merger agreement, Altria and the Company have each agreed to use their respective reasonable best efforts to complete the merger, including to gain clearance from antitrust review and obtain other required approvals.

Although the parties believe that the transaction complies, in all material respects, with applicable law, we cannot be certain that we will obtain all required regulatory approvals or that these approvals will not contain terms, conditions or restrictions that result in a failure to satisfy the conditions to closing. Neither Altria nor we have yet obtained any of the governmental or regulatory approvals required to complete the merger.

Certain Stockholder Litigation

On September 8, 2008, a plaintiff served a putative class action lawsuit against the Company, the members of its board of directors and Altria in the Superior Court of the State of Connecticut, Judicial District of Stamford-Norwalk at Stamford, challenging the transaction contemplated by the merger agreement. The complaint is captioned *Suprina v. UST Inc., et. al.*, FST-CV-084014863-S. The complaint alleges, among other things, that the per share price offered by Altria is unfair and grossly inadequate and that the termination fee provision of the merger agreement is excessive and operates as a deterrent to other potential bidders. The complaint also alleges that the Company's directors breached their fiduciary obligations by failing to maximize stockholder value by putting their own interests ahead of stockholder interests. The complaint asserts a claim for breach of fiduciary duties against the individual defendants and a claim for aiding and abetting breaches of fiduciary duty against Altria. The plaintiff seeks, among other things, an order enjoining the defendants from consummating the transaction and directing the individual defendants to exercise their fiduciary duties to obtain a transaction that is in the best interests of the Company's stockholders. The Company believes that the claims asserted by the plaintiff are wholly without merit and intends to defend vigorously against the action.

Delisting and Deregistration of Common Stock

It is our understanding that, if the merger is completed, the Common Stock will be delisted from the NYSE and Altria will take steps to deregister it under the Securities Exchange Act of 1934 (the Exchange Act). Accordingly, following the merger, we may not continue to file periodic reports with the SEC.

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THE MERGER AGREEMENT

The summary of the material terms of the merger agreement below and elsewhere in this proxy statement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this document. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety.

The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about the Company, Altria, Merger Sub or their subsidiaries. Such information can be found elsewhere in this proxy statement and in the other public filings the Company makes with the SEC, which are available without charge at www.sec.gov.

The representations, warranties and covenants contained in the merger agreement were made only for purposes of the merger agreement and as of a specific date and may be subject to more recent developments, were solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating risk between parties to the merger agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors. For the foregoing reasons, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, Altria, Merger Sub or any of their respective subsidiaries.

On October 2, 2008, we entered into Amendment No. 1 to the Agreement and Plan of Merger (Amendment No. 1). The summary of terms of the merger agreement below and elsewhere in this proxy statement includes the changes effected to the merger agreement by Amendment No. 1. A copy of Amendment No. 1 is attached to this proxy statement as Annex B. All references in this proxy statement to the term merger agreement shall mean the merger agreement, as so amended, unless the context specifically contemplates otherwise.

The Merger

The merger agreement provides that Merger Sub will merge with and into us, and the separate existence of Merger Sub will cease. We will survive the merger as a wholly-owned indirect subsidiary of Altria, and will continue to be named UST Inc. (and we sometimes refer to ourselves as of and after such time as the surviving corporation). Following completion of the merger, Common Stock will cease to be listed on the NYSE, will be deregistered under the Exchange Act, and will no longer be publicly traded. The Company will be a privately held corporation and our current stockholders will cease to have any ownership interest in the Company or rights as stockholders of the Company.

Unless otherwise agreed by the parties to the merger agreement, the closing date for the merger will occur as promptly as practicable (but in no event later than the third business day) after the satisfaction or waiver (to the extent waivable by law) of the conditions to the merger, as described below in Conditions to the Merger beginning on page []. Altria has the right to extend the closing date up to a date not beyond January 7, 2009, even if all closing conditions are satisfied or waived prior to such date, if: (i) Altria determines to do so in its sole discretion (in which case the reverse termination fee payable by Altria to us under certain circumstances shall be \$300 million see The Merger Agreement Termination Fees and Expenses beginning on page []) or (ii) any required pre-approval of any authority regulating the Company's wine business unit has not been obtained at the time all other conditions referenced above have been waived or fulfilled.

The effective time of the merger will occur at the time we, together with Altria, duly file the certificate of merger with the Secretary of State of the State of Delaware or at such time as may be specified in the certificate of merger (the effective time).

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Merger Consideration

At the effective time of the merger, each share of Common Stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive \$69.50 in cash, without interest, less any required withholding taxes (the merger consideration), other than the following shares:

shares held by holders who have properly perfected and not withdrawn demand for their appraisal rights under Delaware law; and

shares owned by the Company (as treasury stock or otherwise), Altria or Merger Sub and any of their direct or indirect wholly-owned subsidiaries.

After the merger is effective, each holder of shares of Common Stock (other than shares for which appraisal rights have been properly demanded and perfected and not withdrawn) will no longer have any rights with respect to such shares, except for the right to receive the merger consideration, without interest, less any required withholding taxes. (See Dissenters Rights of Appraisal beginning on page [].)

Treatment of Options and Other Awards

Company Options

At the effective time, each then-outstanding option to acquire shares of Common Stock, vested or unvested, will be cancelled and converted into the right to receive for each share of Common Stock then subject to such option an amount equal to the excess, if any, of \$69.50 (or such greater amount provided under the applicable option agreement) over the exercise price payable in respect of such share of Common Stock issuable under such option, less any required withholding taxes.

Restricted Shares and Restricted Stock Units

At the effective time, each then-outstanding share of restricted stock and each then-outstanding restricted stock unit, vested or unvested, held or determined to be held if vesting based on performance criteria, will be cancelled and converted into the right to receive \$69.50 in cash, less any required withholding taxes, except that any such awards of restricted stock or restricted stock units granted after September 7, 2008 will be converted into comparable awards relating to Altria common stock at the effective time.

Company Awards

At the effective time, each other then-outstanding company award will be cancelled and converted pursuant to the applicable awards plan into the right to receive \$69.50 in cash, less any required withholding taxes. Pursuant to the terms of the Company's Director Deferral Program, the fully vested deferred fees credited to each non-employee director as phantom stock units at the effective time of the merger will be paid to the director in cash, in an amount equal to the number of units then credited times \$69.50.

Appraisal Rights

If you properly exercise appraisal rights under Delaware law, your shares of Common Stock will not be converted into the right to receive \$69.50 in cash per share, but instead your shares will be cancelled, will cease to exist and you will

cease to have any rights with respect to such shares, except the right to receive the fair value of your shares of Common Stock in accordance with the provisions of Section 262 of the Delaware General Corporation Law (attached to this proxy statement as Annex E). See Dissenters Rights of Appraisal beginning on page [].

Exchange and Payment Procedures

Before the effective time of the merger, Altria will designate a paying agent (the paying agent) reasonably acceptable to us to act as agent for the benefit of holders of shares of Common Stock in connection with the merger. At the effective time of the merger, Altria will deposit with the paying agent the total consideration payable to all holders of shares of Common Stock immediately prior to the effective time.

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Promptly after the effective time (but in any event within five business days), Altria will cause the paying agent to mail to each holder of record a letter of transmittal and instructions for use in effecting the surrender of the certificates or book-entry shares representing shares of Common Stock. The letter of transmittal and instructions will tell you how to surrender your shares of Common Stock that are represented by certificates or shares you may hold that are represented by book entry in exchange for the merger consideration.

The surviving corporation will deliver payments for the options, shares of restricted stock and restricted stock units to their holders as soon as reasonably practicable (but in no event later than seven business days) following the effective time, and, for company awards, in accordance with the terms of the applicable plan.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a properly completed letter of transmittal.

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates (or affidavit of loss and posting of bond in lieu thereof, as described below) or book-entry share to the paying agent, together with a duly executed letter of transmittal (except, in the case of book-entry shares, if such practice is not customary for the paying agent) and any other documents as may be reasonably requested by the paying agent. If a transfer of ownership of shares is not registered in the transfer records of the Company, cash to be paid upon due surrender of the stock certificate or book-entry share may be paid to the transferee if the stock certificate or book-entry share formerly representing the shares of Common Stock is properly endorsed or otherwise in a proper form for transfer reasonably acceptable to the paying agent and the transferee pays the transfer or other taxes required or establishes to the satisfaction of the surviving corporation that such tax has been paid and is not applicable.

No interest will be paid or accrued on the cash payable upon the surrender of the certificates or book-entry shares.

After the effective time of the merger, there will be no transfers on our stock transfer books of shares of Common Stock that were outstanding immediately prior to the effective time of the merger. If, after the effective time of the merger, certificates are presented to the surviving corporation for transfer, they will be cancelled and exchanged for the merger consideration.

Any portion of the merger consideration deposited with the paying agent that remains unclaimed by Company stockholders one year after the effective time of the merger will be delivered to Altria. Former holders of shares of Common Stock who have not complied with the above described exchange and payment procedures will thereafter only look to Altria for payment of the merger consideration. To the extent permitted by applicable law, any amount unclaimed by our stockholders prior to such time when the amounts would otherwise escheat to or become property of any governmental entity will become the property of the surviving corporation and you will no longer have any claim to or interest in it.

Altria, the surviving corporation and the paying agent will be entitled to deduct and withhold from the merger consideration otherwise payable to any person such amounts as may be required to be deducted and withheld with respect to the making of such payments under the Code, and the rules and regulations promulgated thereunder, or under any provision of state, local or foreign tax law.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the merger consideration, you will have to make an affidavit of the certificate's loss, theft or destruction and post a bond in a reasonable amount as Altria may direct to indemnify itself against any claim with respect to that certificate. These procedures will be described in the letter of transmittal that you will receive, which you should read carefully in its entirety.

Charter, Bylaws, Directors and Officers

When the merger is completed, the certificate of incorporation of the surviving corporation will be that of the Company in effect immediately prior to the effective time. When the merger is completed, the bylaws of the surviving corporation will be those of Merger Sub in effect immediately prior to the effective time. The directors of Merger Sub at the effective time of the merger will continue as the directors of the surviving

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corporation. The officers of the Company at the effective time of the merger will continue as the officers of the surviving corporation.

Representations and Warranties

The merger agreement contains representations and warranties made by us to Altria and Merger Sub, and by Altria and Merger Sub to us, and may be subject to important limitations and qualifications agreed to by the parties in connection with negotiating the terms of the merger agreement. The statements embodied in those representations and warranties are in some cases subject to important exceptions, limitations and supplemental information contained in confidential disclosure schedules that the Company and Altria have exchanged in connection with signing the merger agreement. Please note that certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable under federal securities laws or may have been included in the merger agreement for the purpose of allocating risk between the parties rather than to establish matters as facts. For the foregoing reasons, you should not rely on the representations and warranties contained in the merger agreement as statements of factual information.

Our representations and warranties relate to, among other things:

our and our subsidiaries' due organization, valid existence, good standing and qualification to do business;

our and our subsidiaries' organizational documents;

our capital structure, including in particular the number of authorized and outstanding shares of Common Stock, our preferred stock, options to purchase shares of Common Stock, our restricted shares, our restricted stock units, and Company awards;

our subsidiaries and our equity interests in them;

our corporate power and authority to enter into the merger agreement and, subject to the approval of the merger agreement by the required vote of our stockholders, to consummate the transactions contemplated by the merger agreement;

the required consents and approvals of governmental entities in connection with the merger and related transactions;

the absence of conflicts with, or violations of, our or our subsidiaries' governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger and the other transactions contemplated by the merger agreement;

compliance with laws applicable to the Company, our subsidiaries or our and our subsidiaries' businesses since December 31, 2006;

certain permits and licenses necessary for the lawful conduct of our and our subsidiaries' businesses;

the compliance with applicable Securities and Exchange Commission (SEC) rules and filing requirements since January 1, 2005, including the accuracy and compliance with applicable legal requirements and GAAP of the consolidated financial statements contained therein;

the absence of undisclosed liabilities;

the adequacy of our internal controls and procedures;

the absence of certain changes and certain actions since December 31, 2007;

legal proceedings and governmental orders;

employee benefits;

the inapplicability of takeover statutes and related provisions to the merger;

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property and leases;

environmental matters;

tax matters;

labor matters;

intellectual property matters;

material contracts and performance of obligations thereunder;

the accuracy of information supplied in this proxy statement and its compliance with applicable legal requirements;

insurance matters;

receipt of opinions from Citi and Perella Weinberg;

absence of brokers and finders; and

related party transactions.

Many of our representations and warranties are qualified by a **Company Material Adverse Effect** standard. For purposes of the merger agreement, **Company Material Adverse Effect** is defined to mean any effect, event, development, condition or change that, individually or in the aggregate, is materially adverse to the financial condition, business, assets, properties, liabilities or results of operations of the Company and its subsidiaries, taken as a whole; provided, however, that none of the following shall constitute or be taken into account in determining whether there has been or is a **Company Material Adverse Effect**:

changes arising out of general political, economic or industry or financial or capital market conditions in the U.S. or other countries where we have material operations;

changes in law, tax, regulatory or business conditions;

changes in GAAP or the rules or policies of the Public Company Accounting Oversight Board;

any failure of the Company or its subsidiaries to meet any projections, guidance, estimates, forecasts or milestones or financial or operating predictions for periods ending on or after the date of the merger agreement (provided that the underlying effect, event, development or circumstance may be taken into account);

the announcement or the existence of the merger agreement and the transactions contemplated by the merger agreement (including any related or resulting loss of or change in relationship with any customer, supplier, distributor, wholesaler or other business partner, or departure of any employee or officer, any litigation or other proceeding);

acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of the merger agreement;

compliance with the terms of, or any actions taken pursuant to, the merger agreement, or any failures to take action which is prohibited by the merger agreement, or such other changes or events to which Altria has expressly consented in writing; or

certain items identified in the disclosure letter to the merger agreement.

The merger agreement also contains various representations and warranties made by Altria and Merger Sub that are subject, in some cases, to specified exceptions and qualifications. Their representations and warranties relate to:

their organization, valid existence and good standing;

Altria's ownership of Merger Sub;

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Merger Sub's absence of other purposes or prior activities;

their corporate or other power and authority to enter into the merger agreement and to consummate the transaction contemplated by the merger agreement;

the required consents and approvals of governmental entities in connection with the merger and related transactions;

the absence of any violation or conflict with their governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;

pending or threatened legal actions;

the ability of Altria and Merger Sub to pay all amounts required to be paid by them in connection with the merger agreement;

the absence of undisclosed brokers' fees;

neither Altria nor Merger Sub owning any Company securities; and

the accuracy of information supplied by Altria in this proxy statement.

The representations and warranties of each of the parties to the merger agreement will expire upon completion or termination of the merger agreement.

Conduct of Our Business Prior to Closing

We have agreed in the merger agreement that, subject to certain exceptions, until the effective time of the merger, unless Altria otherwise consents (which consent will not be unreasonably withheld or delayed), we and our subsidiaries will:

conduct our and our subsidiaries' businesses in all material respects in the ordinary course consistent with past practice; and

use our and our subsidiaries' respective reasonable best efforts to preserve our and our subsidiaries' business organizations intact, maintain satisfactory relations and goodwill with governmental entities, customers, suppliers, lenders, employees and distributors and other persons with whom we and our subsidiaries have material business relations and keep available the services of our and our subsidiaries' officers and employees.

We have also agreed that during such time period, subject to certain exceptions and unless Altria gives consent (which consent will not be unreasonably withheld or delayed), we and our subsidiaries will not:

amend our organizational documents;

issue, sell, pledge, dispose of, or encumber any of our capital stock or other equity interests or shares of our subsidiaries, or any options, warrants, convertible securities or other rights to acquire shares of Common Stock or shares of our subsidiaries, except in connection with the exercise of options or the settlement of restricted shares, restricted stock units or company awards;

repurchase, redeem or otherwise acquire any securities or equity equivalents, except in the ordinary course of business in connection with the exercise of options or the lapse of restrictions on or cancellation of restricted shares, restricted stock units or company award;

adjust, redeem, reclassify, combine, split, or subdivide any shares of beneficial interest or shares of any class of capital stock or other equity interest;

declare, set aside, make or pay any dividend or other distribution, payable in cash, shares of beneficial interest, property or otherwise, with respect to any of the shares of beneficial interest or shares of any class of capital stock or other equity interests, except for cash dividends by any wholly-owned subsidiary only to the Company or any other wholly-owned subsidiary in the ordinary course of business consistent with past practice, regular quarterly dividends, each not to exceed \$0.63 per share

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of Common Stock, with declaration, record and payment dates reasonably consistent with the Company's past practice for the comparable quarter, dividends or distributions required under the applicable organizational documents, or dividends or distributions consistent with past practice with respect to certain subsidiaries;

acquire or agree to acquire any entity or real property valued in excess of \$10,000,000 individually or \$25,000,000 in the aggregate;

incur any indebtedness or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for another party's obligations, except for:

the Company's existing credit facility in the ordinary course of business;

as needed to finance the costs and expenses incurred in connection with the transactions contemplated by the merger agreement;

refinancings of indebtedness becoming due and payable on terms and in such amounts reasonably acceptable to Altria; and

inter-company indebtedness among us and our subsidiaries in the ordinary course of business consistent with past practice;

repurchase, repay, defease or pre-pay any indebtedness except:

repayments in the ordinary course of business;

terminating or settling an interest rate swap or other hedging instrument; or

prepaying or repaying mortgage indebtedness secured by one or more owned real properties;

modify, amend, terminate or enter into any material contract;

other than as required by the Company's benefit plans in effect at signing or as required by law:

increase the compensation (including bonus opportunities) or fringe benefits of any of our directors, executive officers or employees;

grant any substantial severance or termination pay or make any new equity awards to any director, officer or employee;

enter into or amend any employment, consulting, change-in-control or severance agreement or arrangement with any of our present or former directors, executive officers, or employees;

establish, adopt, enter into, freeze or amend in any material report, or terminate, accelerate or contribute to any benefit plan;

pay, accrue, certify or otherwise take affirmative action regarding performance level achievements or vesting criteria in any benefit plan;

take any action with respect to salary, compensation, benefits or other terms and conditions that would create a good reason for an employee entitled to collect severance payments and benefits to terminate employment;

terminate the employment of any holder of a change in control or similar agreement other than for cause ;

take any action that would result in any benefit plan violating Section 409A of the Code; and

execute or amend any collective bargaining agreement or other obligation to any labor organization;

change GAAP financial accounting principles or policies in any material respect;

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make any loans, advances or capital contributions to, or investments in, any entity other than to or in wholly-owned subsidiaries, as required by certain contracts already in affect or in amounts up to \$15,000,000 in the aggregate;

make, authorize, or enter into any commitment for any capital expenditure other than:

in accordance with the Company's 2008 budget (or the Company's 2009 budget insofar as it is consistent with 2008) together with up to \$5,000,000 of additional capital expenditures at the Company's discretion; and

in the ordinary course of business and consistent with past practice necessary to repair and/or prevent damage to any assets or properties as is necessary in an emergency;

waive, release, assign, settle or compromise any actual or threatened action for amounts greater than \$1,000,000 individually or \$5,000,000 in the aggregate;

amend any term of any outstanding equity security or equity interest;

adopt, authorize or enter into a plan of complete or partial liquidation or dissolution;

allow existing insurance policies to lapse without replacing them;

take certain actions with respect to taxes, tax elections, tax liability and tax returns;

mortgage, pledge, or suffer to exist any liens on any real property or material assets;

transfer, license, sell, lease or otherwise dispose of any assets with a fair market value in excess of \$15,000,000 in the aggregate, except for: