

# Philip Morris USA

July 11, 2006

**Subject: Sales of PM USA Cigarettes into New York State**

To Our Direct Customers:

Philip Morris USA ("PM USA") has received a written notice from the Office of the Attorney General of the State of New York, dated June 28, 2006, stating the Attorney General's conclusion that the sale of cigarettes by certain PM USA direct customers to Indian reservations in that State "without appropriate tax stamps" is "in direct violation of" certain state and federal laws. (A copy of the June 28, 2006 notice is attached; we have deleted the names of the wholesalers identified in that notice.)

As you are aware, Philip Morris USA's Wholesale Leaders 2006 Program Participation Agreement prohibits participating direct customers from engaging, directly or indirectly, in the "sale, use or distribution of PM USA Cigarettes in a manner that violates federal, state, local or other applicable laws or regulations." (Paragraph VIII (E)).

In light of the communication we have received from the New York Attorney General's office, we hereby provide the following notice to all our direct customers who are now selling or may in the future sell PM USA branded cigarettes to accounts located in New York State. Effective August 10, 2006, you are required to affix a New York tax stamp to all PM USA branded cigarettes you sell or distribute to Indian reservations in New York State, unless, prior to any such sale, you provide to PM USA a written statement from the State of New York that the sale of unstamped PM USA branded cigarettes by you to Indian reservations in New York does not violate the laws referred to in the attached notice of June 28, 2006 to PM USA.

If you have any questions, please contact your account manager or call 1-877-YOU-LEAD.

Thank you for your continued support.

Philip Morris USA is not responsible for any errors in this communication that may occur during the transmission process.

**Philip Morris USA**