

January 2009

Subject: Philip Morris USA Coupon Redemption Policy

Dear Valued Retailer:

Enclosed is the current Philip Morris USA Coupon Redemption Policy that went into effect on December 1, 2008. We have also enclosed a document outlining the major changes from the previous policy. Please carefully review these documents.

If you have any questions concerning this policy, please direct them to:

CMS, Inc.
PO Box 1750
Winston-Salem, NC 27102
Attn.: PM USA Trade Relations Specialist

In addition, you may call the CMS Philip Morris Tobacco Coupon Redemption Line at (800) 769-6449.

Thank you for your cooperation in this matter.

Philip Morris USA

Subject: Revised Coupon Redemption Policy and New Coupon Payment Limit Guidelines

Dear Valued Retailer

Philip Morris USA (PM USA) Coupons can help Retailers grow their business by providing value to Adult Consumers who purchase PM USA products. We encourage Retailers to accept PM USA Coupons to help build brand and store loyalty. PM USA Coupons should only be accepted and submitted for redemption by Retailers for face-to-face transactions with Adult Consumers for the PM USA product specified on the Coupon.

While the majority of Retailers abide by our Coupon Redemption Policy, it has come to our attention that some Retailers do not redeem PM USA Coupons in compliance with our policy. Retailers are responsible for ensuring Coupons are redeemed in compliance with the PM USA Coupon Redemption Policy.

To further promote compliance with our Coupon Policy, we have updated the Coupon Redemption Policy and are initiating new Coupon Payment Limit Guidelines effective **December 1, 2008**.

Key highlights include:

- **Change in Coupon Redemption Grace Period** – The Coupon Redemption grace period for submission of expired coupons has been changed from six months to four months.
- **PM USA Coupon Redemption Payment Limits.** Payment limits have been established based on the Retailer's PM USA volume and the prevailing marketplace coupon redemption rate for the particular PM USA brand. Retailers submitting PM USA Coupons in excess of the limits will only receive payment up to the established limit (assuming all other Policy requirements have been met).
- **Acceptable Sales Transaction Data.** In conjunction with coupon redemption audits and appeals, PM USA requires sales transaction data from Retailers to support PM USA Coupon redemptions. The Policy has been revised to specify the data that PM USA will require to substantiate redemptions.
- **Appeal Process.** Retailers impacted by a payment limit determination may appeal their coupon payment adjustment by providing Sales Transaction Data in a form acceptable to PM USA to support their redemptions.
- **Ineligibility for Coupon Redemption Program.** Retailers suspended from PM USA trade programs or promotional offers eligibility for a period of 12 months or more are ineligible for Coupon Redemption participation during the period of suspension.

The revised PM USA Coupon Redemption Policy and the new Coupon Payment Limit Guidelines are attached for your reference. If you have any questions regarding policy changes or the payment limit guidelines please contact your PM USA representative or the CMS Philip Morris Tobacco Coupon Redemption Line at (800) 769-6449.

Thank you for your continued support.

Philip Morris USA

PMUSA Coupon Payment Limit Guidelines

I. Process Detail – Coupon Payment Limit and Payment Limit Determinations

- PM USA Coupon redemption payment limits have been established based on the Retailer's PM USA volume and the prevailing marketplace coupon redemption rate for a particular PM USA brand.
- PM USA's coupon agent, Carolina Manufacturer's Services, Inc. (CMS) systematically monitors and evaluates PM USA Coupon submissions for each Retailer. Each PM USA Coupon redemption submission is evaluated to determine if the submission exceeds the established coupon payment limit.
- PM USA Coupon redemption submissions that exceed the coupon payment limit are eligible to receive payment up to the established payment limit (assuming all other PM USA Coupon Redemption Policy elements have been met).
- If the PM USA Coupon redemption submission exceeds that established limit, the Retailer will receive a Payment Limit Determination notification letter from CMS. An explanation of the payment adjustment will also be reflected on the check stub. Retailers may appeal a Payment Limit Determination by providing acceptable Sales Transaction Data for the 3-month period prior to the Retailer's most recent PM USA Coupon submission. Acceptance of the Sales Transaction Data for review will be determined at the sole discretion of PM USA.

II. Requirements for Payment Limit Determination Appeal

Retailers appealing a Payment Limit Determination must provide Sales Transaction Data for the 3-month period prior to the Retailer's most recent PM USA Coupon redemption submission. Sales Transaction Data can be provided in one of the two forms listed below:

- Option 1.** Electronic sales scan data generated in a format compatible with Microsoft Excel, Access, or ACL
- Option 2.** If Retailer is not equipped with a scanning system, PM USA will consider Sales Transaction Data reported on a spreadsheet or equivalent data file compiled from Retailer's daily sales records. If you are submitting the information electronically, please use a format compatible with Excel **Note: Retailers choosing this option must attach legible copies of detailed transaction receipts or data from their register system.**

Acceptable Sales Transaction Data must contain the following detail for sales of PM USA Product and associated PM USA Coupons

- Transaction # - unique number to differentiate each transaction
- Time – time of transaction
- Date – day/month/year of transaction
- PM Brand – identify the PM USA brand family

Note: All capitalized terms have the meaning set forth in the definitions section of PM USA's Coupon Redemption Policy.

- Description – specify the PM USA brand packing name and/or coupon
- Quantity – specify the quantity of PM USA Products or PM USA Coupons transacted
- Carton/Pack – indicate if carton or pack transaction
- Transaction Amount – specify the sales amount and PM USA Coupon discount

Example of Sales Transaction Data-

Transaction #	Time	Date	PM Brand	Description	Units	Carton / Pack	Transaction Amt
1111	10:09:58 AM	30-Jun-07	MARLBORO	MARLBORO LT KG SFT	9	Ctn	\$ 337.41
1111	10:09:58 AM	30-Jun-07	MARLBORO	MARLBORO COUPON	4		\$ (14.00)
1112	10:12:01 AM	30-Jun-07	MARLBORO	MARLBORO SNUS	2	Ctn	\$ 74.98
1112	10:12:01 AM	30-Jun-07	MARLBORO	MARLBORO SNUS COUPON	1		\$ (3.50)

Sales Transaction Data that **does not** include the aforementioned data fields will not be accepted by PM USA and the appeal will not proceed.

If the Retailer passes the appeal, all withheld funds will be paid and the Payment Limit increased to prevent additional withholdings. If the Retailer fails the appeal, all withheld funds will be forfeited and Retailer may not submit another appeal for 3 months.

III. Payment Limit Determination Appeal Timeframe

Once a Retailer has received a Payment Limit Determination notification letter, the required data must be submitted within 30 calendar days from the date of the letter. The appeal will be analyzed within the following timeframes:

- If Retailer submits electronic sales scan data, reviews of transaction data will typically be completed within 30 calendar days from the receipt of data.
- If Retailer submits non-scan sales data (e.g., an Excel spreadsheet), reviews of transaction data will take up to 90 calendar days from the receipt of data.

The Retailer will be contacted regarding the status of the Payment Limit Determination appeal once PM USA has reviewed the Sales Transaction Data.

Note: Incomplete data will not be accepted as a valid submission and will not be considered. If data is incomplete, PM USA will notify the Retailer and additional data will be accepted up to 15 calendar days from the date of notification.

IV. Sales Transaction Data Maintenance Requirements

In order for an appeal to be considered, Retailers must retain a minimum of the most current 3 months of records that conform to the accepted data format and required transaction detail listed above. Retailers should consider this guideline in determining the appropriate timeframe and maintenance of their records.

V. Retailer Suspensions

Retailers that violate the PM USA Coupon Redemption Policy may be ineligible to participate in the PM USA Coupon Redemption Program. Additionally, Retailers submitting for redemption, PM USA Coupons in excess of their purchased volume for any 3 quarters during a 2 year period may be subject to a 1 year PM USA Coupon Redemption Program suspension.

Note: All capitalized terms have the meaning set forth in the definitions section of PM USA’s Coupon Redemption Policy.

Coupon Redemption Policy

Philip Morris USA (PM USA) Coupons help Retailers grow their business by providing value to Adult Consumers who purchase PM USA Products. PM USA encourages Retailers to accept PM USA Coupons to help build brand and store loyalty. PM USA requires Retailers to abide by to the Coupon Redemption Policy in acceptance and submission of PM USA Coupons.

Definitions:

Adult Consumer – A person of legal age to purchase PM USA Product in the state or locality in which the purchase occurs.

Excessive PM USA Coupon Redemption – Any redemption in excess of payment limits established based on the Retailer's PM USA volume and the prevailing marketplace coupon redemption rate for the particular PM USA brand.

Payment Limit Determination – A decision reached by PM USA based on an analysis of the Retailer's coupon redemption history and the current period coupon submission that the coupon reimbursement amount requested exceeds the prevailing marketplace coupon redemption rate for a particular PM USA brand(s).

PM USA Coupon – A document issued by PM USA that may be exchanged by an Adult Consumer for a discount on PM USA Products purchased at retail.

PM USA Coupon Payment Limit Guidelines – Procedures describing the redemption of coupons and the application of payment limit adjustments.

PM USA Product – Cigarette or non-cigarette brands manufactured and sold by PM USA.

PM USA Trade Policy – Policies that, in conjunction with trade programs offered by PM USA, including but not limited to, the Retail Leaders Program, govern the sale and distribution of PM USA Products.

Retailer – Store that accepts PM USA coupons for redemption pursuant to a face-to-face transaction with an Adult Consumer.

Sales Transaction Data – Electronic sales scan data or sales transaction detail (which includes coupons) reported on a spreadsheet or equivalent data file compiled from Retailer's daily sales records.

Policy Elements:

1. Retailer's submission of PM USA Coupons for redemption signifies acceptance of PM USA's Coupon Redemption Policy.
2. PM USA Coupons are intended for Adult Consumers only.
3. Retailer may accept a PM USA Coupon only if presented in a face-to-face transaction with an Adult Consumer. Retailer may not accept PM USA Coupons for other than the PM USA Product specified on the face of the PM USA Coupon.
4. Retailer may accept only one PM USA Coupon per PM USA Product purchased, unless the PM USA Coupon terms indicate otherwise.
5. An Adult Consumer redeeming PM USA Coupons in connection with the purchase of PM USA Product is responsible for all applicable sales tax *except* in the case of redemption of a PM USA Coupon for a free PM USA Product.
6. Retailers that sell PM USA Product through mail order, telephone, or over the Internet in violation of PM USA Trade Policy are ineligible for PM USA Coupon redemption. Retailers suspended from PM USA trade programs or eligibility for promotional offerings for 12 months or more are ineligible for PM USA Coupon redemption during any such suspension period.
7. PM USA Coupons are good only within, and only for PM USA Products manufactured and intended for sale in, the United States of America and U.S. Government installations, except where restricted or prohibited by law.

8. PM USA reserves the right to reject any PM USA Coupons Retailer submits for reimbursement that PM USA determines in its sole discretion to have been assigned, transferred, reproduced, altered or improperly redeemed.
9. PM USA's count of PM USA Coupons received from Retailer shall be final and will govern the amount of the payment made to Retailer.
10. Retailer may not deduct outstanding PM USA Coupon reimbursements from any monies owed by Retailer to PM USA.
11. Unless otherwise instructed by PM USA, Retailer may not accept PM USA Coupons submitted by Adult Consumers after the expiration date printed on the PM USA Coupon, and PM USA will not reimburse PM USA Coupons submitted by Retailer later than four months after the PM USA Coupon expiration date.
12. The maximum reimbursement for which Retailers are eligible is the total of the PM USA Coupon face value, the specific handling fee stated on the PM USA Coupon and postage. For a PM USA Coupon reflecting a free product offer, Retailers are eligible to be reimbursed the retail sale price including sales tax and the specific handling fee stated on the PM USA Coupon. Retailers **must** record the retail sale price including sales tax on the PM USA Coupon. **If the amount claimed for reimbursement in connection with a free PM USA product offer is deemed by PM USA to be excessive based on prevailing market prices, PM USA will withhold the amount in excess of the prevailing market price from the Retailer's PM USA Coupon payment.** If the Retailer provides acceptable proof of its PM USA Product sales price, PM USA will reimburse the Retailer for the amount withheld.
13. Postage will be reimbursed based on the current U.S. Postal Service Table or the current U.S. Postal Service Rate Chart and the weight of the package.
14. PM USA reserves the right to request and review information and documentation sufficient to verify Retailer's compliance with the Coupon Redemption Policy. Such information includes, but is not limited to, Retailer's purchases and sales associated with respective PM USA Coupon transactions. Acceptable sales transaction data must list PM USA Products by
 - brand name and description of the PM USA brand sold
 - brand name and description of the PM USA Coupon
 - quantity and type of unit (e.g., pack, carton) sold
 - sales transaction quantity and dollar amount
 - PM USA Coupon quantity and dollar amountRetailers must retain at least the most current 3 months of Sales Transaction Data. Any cost associated with collecting, maintaining or supplying the requested information and documentation, including postage, is the Retailer's responsibility.
15. PM USA reserves the right to reduce payments to Retailers for Excessive PM USA Coupon Redemption. A Retailer may appeal a Payment Limit Determination reduction by submitting documentation in an acceptable format as detailed in the PM USA Coupon Payment Limit Guidelines.
16. All Retailer claims submitted to PM USA for unpaid PM USA Coupon balances must be made within one year of the PM USA Coupon submission. Retailers may not submit claims to PM USA requesting payment for PM USA Coupons that PM USA has not paid as a result of the Retailer's violation of any PM USA Trade Policy or Program.
17. Retailer must ensure that all personnel within Retailer's organization comply with the Coupon Redemption Policy. Compliance failures of Retailer's personnel are attributable to the Retailer.
18. Failure to comply with the terms and conditions of this PM USA Coupon Redemption Policy, as determined by PM USA in its sole discretion, may result in the rejection of all PM USA Coupons submitted for payment
19. PM USA may change or terminate this PM USA Coupon Redemption Policy at any time upon notice.
20. Retailer or the Retailer's approved clearinghouse should send properly redeemed PM USA Coupons to:

Philip Morris USA
CMS Dept. #28200
1 Fawcett Drive,
Del Rio, TX 78840

Questions concerning PM USA's Coupon Redemption Policy or claims for PM USA Coupon payment should be directed to the CMS Philip Morris Tobacco Coupon Redemption Line (800-769-6449).