UST INC
Form DEFM14A
October 29, 2008

Table of Contents

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 þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o 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):

o No fee required.

o 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:

(2) Aggregate number of securities to which this transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

þ 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:

Table of Contents

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

October 29, 2008

To our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of UST Inc. (the Company) at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017, on Thursday, December 4, 2008, beginning at 10:00 a.m. (Eastern 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.

Table of Contents

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 October 29, 2008 and is first being mailed to stockholders on or about October 29, 2008.

Table of Contents

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, DECEMBER 4, 2008

Dear Stockholder:

The special meeting of stockholders of UST Inc., a Delaware corporation (the Company), will be held on Thursday, December 4, 2008, at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017, beginning at 10:00 a.m. (Eastern Time), 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. (the agreement and plan of merger), as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of October 2, 2008 (amendment no. 1), and as it may be further amended from time to time (collectively, the merger agreement), and to approve the merger contemplated by the merger agreement. A copy of the agreement and plan of merger 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 October 23, 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

Table of Contents

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.

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 77 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

October 29, 2008

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

SUMMARY

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 agreement and plan of merger refer to the Agreement and Plan of Merger, dated as of September 7, 2008, among the Company, Altria and Merger Sub, a copy of which is attached as Annex A to this proxy statement; all references to amendment no. 1 refer to Amendment No. 1 to the Agreement and Plan of Merger, dated as of October 2, 2008, a copy of which is attached as Annex B to this proxy statement; all references to merger agreement refer to the agreement and plan of merger, as amended by amendment no. 1, and as it may be further amended from time to time (or, if required by the context, to the agreement and plan of merger); 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 17)

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.

Table of Contents

The Merger Agreement (page 58)

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-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 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 47)

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 47)

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 18)

The special meeting will be held on Thursday, December 4, 2008, beginning at 10:00 a.m. (Eastern Time), at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017. 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.

Table of Contents

Record Date, Quorum and Voting Power (page 18)

Stockholders of record at the close of business on October 23, 2008 are entitled to notice of, and to vote at, the special meeting. On October 23, 2008, the outstanding voting securities consisted of 148,533,573 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 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 18)

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 19)

As of October 23, 2008, the record date for the special meeting, our current directors and executive officers held, in the aggregate, 1,066,992 shares of Common Stock (excluding options) representing approximately 0.72% of the outstanding shares of 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 19)

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 11:59 p.m. (Eastern Time) on December 3, 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).

Table of Contents

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.

Rights of Participants in the UST Inc. Employees Savings Plan (page 19)

Vanguard Fiduciary Trust Company, the Trustee of the UST Inc. Employees Savings Plan, will vote your shares of Common Stock according to your instructions (subject to the Trustee s fiduciary responsibilities under Section 404 of the Employment Retirement Income Security Act of 1974, as amended). To provide voting instructions regarding the shares held in your account in the Employees Savings Plan, you may follow the general instructions for voting by proxy card detailed above. Voting instructions for shares of Common Stock held in the Employees Savings Plan must be received by 11:59 p.m. (Eastern Time) on December 1, 2008. If you do not provide timely voting instructions, the shares of Common Stock held in your account in the Employees Savings Plan will be voted by the Trustee in the same proportion as shares to which timely voting instructions have been received from other Employees Savings Plan participants. Your instructions to the Trustee will be kept confidential.

Recommendation of Our Board of Directors (page 30)

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 30.

Opinion of Citigroup Global Markets Inc. (page 34 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).

Table of Contents

Opinion of Perella Weinberg Partners LP (page 38 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 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 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 30)

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 30, **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 66)

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;

Table of Contents

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 67), 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, notifying Altria of such action and furnishing 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.

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 66 for a description of these restrictions.

Conditions to the Merger (page 70)

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 62)); 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 62) since December 31, 2007 being true and correct in all respects, and all other representations and

Table of Contents

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:

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.

Termination of the Merger Agreement (page 71)

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

beginning on page 72); 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.

Table of Contents

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.

Termination Fees and Expenses (page 72)

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

Table of Contents

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 67) 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 Agreement Specific Enforcement on page 73). 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 56)

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 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 could not acquire or exercise operational control of the Company. This waiting period was set to expire on October 20, 2008, unless the FTC and DOJ granted the parties request for early termination of the waiting period or one of the agencies issued a request for additional information or documentary material. On October 16, 2008, the FTC granted early termination of the waiting period effectively closing its investigation. The foregoing notwithstanding, at any time before or after completion of the merger, the Antitrust Division, the FTC, state Attorneys General or private parties could, in their sole discretion, seek to challenge the merger on antitrust grounds. Accordingly, while the parties believe that the transaction complies with the applicable

Table of Contents

antitrust laws, it is still possible that, at any time either before or after 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, permitting completion subject to regulatory concessions or conditions or, if consummated, seeking rescission of the transaction.

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 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 62)). 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 54)

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 54). 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 54), 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 47)

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 of our 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.

Table of Contents

These interests may present our non-employee directors and executive officers with interests that are different from, or in addition to, the interests of our stockholders generally. 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 and approving the merger.

Procedure for Receiving the Merger Consideration (page 59)

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, to the extent deemed necessary or appropriate by the paying agent. 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 76)

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 October 24, 2008, the most recent practicable date before this proxy statement was printed, the Common Stock closed at $66.81 per share.

Dissenters Rights of Appraisal (page 77 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 77 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 77. 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.

Table of Contents

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 on page 82.

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 10:00 a.m. (Eastern Time), on Thursday, December 4, 2008, at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017.

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 30 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 47.

Table of Contents

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 October 23, 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 148,533,573 shares of Common Stock, held by approximately 6,360 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, completed, 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.

Table of Contents

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 11:59 p.m. (Eastern Time) on December 3, 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 77 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 $30,000, and will

Table of Contents

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: How do I provide instructions to vote my shares of Common Stock held in the UST Inc. Employees Savings Plan?

A: Vanguard Fiduciary Trust Company, the Trustee of the UST Inc. Employees Savings Plan, will vote your shares according to your instructions (subject to the Trustee s fiduciary responsibilities under Section 404 of the Employment Retirement Income Security Act of 1974, as amended). To provide voting instructions regarding the shares held in your account in the Employees Savings Plan, you may return the enclosed proxy card, completed, 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. Voting instructions for shares of Common Stock held in the Employees Savings Plan must be received by 11:59 p.m. (Eastern Time) on December 1, 2008. If you do not timely provide voting instructions, the shares reflected on the enclosed proxy card that are held in your account in the Employees Savings Plan will be voted by the Trustee in the same proportion as shares to which timely voting instructions have been received from other Employees Savings Plan participants. Your instructions to the Trustee will be kept confidential.

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 72.

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 (866) 873-6988. If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 Thursday, December 4, 2008, beginning at 10:00 a.m. (Eastern Time), at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017, 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 agreement and plan of merger 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 October 29, 2008.

Record Date, Quorum and Voting Power

Stockholders of record at the close of business on October 23, 2008 are entitled to notice of, and to vote at, the special meeting. On October 23, 2008, the outstanding voting securities consisted of 148,533,573 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 or represented by proxy 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 below) 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**

Table of Contents

vote of the majority of the shares of Common Stock outstanding on the record date, failures to vote, 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 October 23, 2008, the record date for the special meeting, our current directors and executive officers held and are entitled to vote, in the aggregate, 1,066,992 shares of Common Stock (excluding options), representing approximately 0.72% 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 11:59 p.m. (Eastern Time) on December 3, 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.

Shares of Common Stock held by Vanguard Fiduciary Trust Company, the Trustee of the UST Inc. Employees Savings Plan, will be voted according to your instructions (subject to the Trustee s fiduciary responsibilities under Section 404 of the Employment Retirement Income Security Act of 1974, as amended). To provide voting instructions regarding the shares held in your account in the Employees Savings Plan, you may follow the general instructions for voting by proxy card detailed above. Voting instructions for shares of Common Stock held in the Employees Savings Plan must be received by 11:59 p.m. (Eastern Time) on December 1, 2008. If you do not provide timely voting instructions, the shares of Common Stock held in your account in the Employees Savings Plan will be voted by the Trustee in the same proportion as shares to

Table of Contents

which timely voting instructions have been received from other Employees Savings Plan participants. Your instructions to the Trustee will be kept confidential.

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.

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 77 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 $30,000, and will reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with such solicitation.

Table of Contents

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: (212) 440-9800
All Others Call Toll Free: (866) 873-6988

Table of Contents

THE MERGER

This discussion of the merger is qualified in its entirety by reference to the agreement and plan of merger and amendment no. 1 thereto, 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 74). 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

Table of Contents

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

Table of Contents

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) on behalf of the Transaction Committee and our board of directors 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, in part 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

Table of Contents

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

Table of Contents

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 best 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.

Table of Contents

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.

Table of Contents

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

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 and approval of the merger. 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. Szmanczyk 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

Table of Contents

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 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;

Table of Contents

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 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 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

Table of Contents

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 67), upon the payment to Altria of a $250 million termination fee (see The Merger Agreement Termination of the Merger Agreement beginning on page 71 and The Merger Agreement Termination Fees and Expenses beginning on page 72), 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 directors 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 47);

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 beginning on page 77 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;

Table of Contents

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 was, as then written, 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 and approval of the merger.

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.

Table of Contents

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 references to the merger agreement in any description contained in this proxy statement of Citi s opinion or its analysis are to the agreement and plan of merger without taking into account amendment no. 1.

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 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.

Table of Contents

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.

Table of Contents

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 unlevered, 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 74). 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 unlevered free cash flow for calendar years 2012 through 2013 were prepared based on

Table of Contents

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 unlevered 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