



Federal Trade Commission

Cigarette Report

For 2006

ISSUED: 2009

I. INTRODUCTION

This report is the latest in a series on cigarette sales, advertising, and promotion that the Federal Trade Commission (“the Commission”) has prepared since 1967.

The statistical tables appended to this report provide information on domestic sales and advertising and promotional activity for U.S.-manufactured cigarettes for the years 1963 through 2006. The tables were compiled from raw data contained in special reports submitted to the Commission pursuant to compulsory process by the five major cigarette manufacturers in the United States. The 2006 data were obtained from: Altria Group, Inc. (the ultimate parent of Philip Morris); Houchens Industries, Inc. (the ultimate parent of Commonwealth Brands, Inc. during the relevant period); Loews Corp. (the ultimate parent of Lorillard Tobacco Co. during the relevant period); Reynolds American, Inc. (the ultimate parent of R.J. Reynolds Tobacco Co., Santa Fe Natural Tobacco Company, Inc., and Lane, Limited); and Vector Group Ltd. (the ultimate parent of Liggett Group, Inc. and Vector Tobacco, Inc.).

II. TOTAL CIGARETTE SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES

The report shows that the total number of cigarettes sold or given away decreased by 4.0 billion cigarettes (1.1 percent) from 2005 to 2006; advertising and promotional expenditures declined from \$13.11 billion in 2005 to \$12.49 billion in 2006. The largest single category of these expenditures in 2006 was price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers. This one category accounted for \$9.21 billion (73.7 percent of total advertising and promotional expenditures) in 2006.

Tables 1 and 1A display annual cigarette sales by manufacturers to wholesalers and retailers.

Table 1A displays the total number of cigarettes sold and given away in the years 2001 through 2006.¹ In 2006, the major domestic cigarette manufacturers sold or gave away 350.6 billion cigarettes domestically, down from 354.6 billion in 2005. Sales declined from 351.6 billion in 2005 to 343.4 billion in 2006, while cigarettes given away rose from 3.0 billion in 2005 to 7.2 billion in 2006.

Because the cigarette sales data reported to the Commission by the major manufacturers are based on factory shipments, and thus can reflect changes in inventory holdings by cigarette wholesalers and retailers, the Commission's annual reports also include information from the cigarette consumption series produced by the U.S. Department of Agriculture (USDA), which is based on an estimate of the number of cigarettes actually consumed.² USDA's cigarette consumption estimates, which are included in Table 1A, show a 1.3 percent decrease from 2005 to 2006 (from 376 billion cigarettes to 371 billion).

III. ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY

Tables 2 through 2D show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 2006.³ These tables list the amounts spent on the different types of

¹ Cigarettes given away include all cigarettes distributed for free, whether through sampling, coupons for free product, "buy 3 packs, get 1 free" type offers, or otherwise, as long as those cigarettes were not reported as sold. For years prior to 2001, the Commission required the manufacturers to report the number of cigarettes they sold but not the number they gave away. It is possible, however, that in those earlier years, some manufacturers included in their sales figures some cigarettes that were actually given away.

² USDA's estimates also include sales by smaller manufacturers and importers.

³ The reported figures include all advertising, merchandising, and promotional expenditures related to cigarettes, regardless of whether such expenditures would constitute "commercial speech" or would be protected from law enforcement action under the First Amendment. The Commission began requiring tobacco companies to include expenditures for such protected speech in 1989.

media advertising (*e.g.*, magazines) and sales promotion activities (*e.g.*, distribution of cigarette samples), and also give the percentage of the total amount spent for the various types of advertising and promotion.

Table 2D shows that overall, \$12.49 billion was spent on cigarette advertising and promotion in 2006, a decline from the \$13.11 billion reported by the major cigarette manufacturers in 2005.⁴

The manufacturers reported spending \$50.3 million on magazine advertising in 2006 – up from \$44.8 million in 2005. Magazine advertising represented less than one-tenth of one percent of total spending in both years. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending \$425.9 million (20.3 percent of total advertising and promotional expenditures).

Spending on “outdoor” advertising declined from \$9.8 million in 2005 to \$935,000 in 2006. Beginning in 2002, “outdoor” advertising has been defined to mean billboards; signs and placards in arenas, stadiums, and shopping malls (whether they are open air or enclosed); and any other advertisements placed outdoors, regardless of their size, including those on cigarette retailer property. In prior years, “outdoor” advertising was not precisely defined. In particular, it was not clear that signs in arenas, shopping, stadiums, shopping malls, or on retailer property would have been reported in this category.

⁴ Definitions of the advertising and promotional expenditure categories currently used are reported in the Appendix to this report. To avoid potential disclosure of individual company data, the Commission is not separately reporting expenditures for newspaper advertising; promotional allowances paid to persons other than retailers and wholesalers; sponsorships; general audience public entertainment; or telephone advertising. Those categories are shown as “N/A” on Table 2D and their expenditures are included in the “All Others” category. Nor is the Commission reporting the amount of money spent advertising and promoting sports and sporting events.

As they have since 2001, the companies reported that they made no expenditures on transit advertising (*i.e.*, advertising in or on private or public vehicles or any transportation facility) in 2006.

Spending on point-of-sale promotional materials (ads posted at the retail location but excluding outdoor ads on retailer property) rose from \$182.2 million in 2005 to \$242.6 million in 2006. Point-of-sale advertising accounted for 1.9 percent of total advertising and promotion in 2006. These expenditures peaked in 1993 at \$400.9 million.

Beginning in 2002, the “promotional allowance” category was broken into four new categories: price discounts, promotional allowances paid to retailers, promotional allowances paid to wholesalers, and other promotional allowances. For 2006, the largest “promotional allowance” category was price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers (*e.g.*, off-invoice discounts, buy downs, and voluntary price reductions), which accounted for expenditures of \$9.21 billion (down from \$9.78 billion in 2005). In addition, the industry spent \$434.2 million in 2006 (down from \$435.8 million in 2005) on promotional allowances paid to cigarette retailers in order to facilitate the sale or placement of cigarettes (*e.g.*, payments for stocking, shelving, displaying, and merchandising brands, volume rebates, and incentive payments), and \$471.2 million on promotional allowances paid to cigarette wholesalers (*e.g.*, payments for volume rebates, incentive payments, value-added services, and promotional executions). When these three promotional allowance categories are combined, they total \$10.11 billion, and account for 81.0 percent of all 2006 spending.⁵ In 2005, the companies reported expenditures of \$10.62 billion on these three categories (also 81.0 percent of total spending).

Money spent giving cigarette samples to the public (“sampling distribution”) increased from

⁵ As explained in footnote 4, above, the Commission is not reporting the amount spent on promotional allowances paid to persons other than retailers and wholesalers.

\$17.2 million in 2005 to \$29.43 million in 2006. “Sampling” was redefined in 2002 to include, among other things, when coupons are distributed for free cigarettes and no purchase is required. Cigarette sampling expenditures have accounted for less than one percent of total spending every year since 1992.

In 2006, \$5.5 million was spent on branded specialty item distribution through the mail, at promotional events, or by any means other than at the point-of-sale with the purchase of cigarettes; that figure was \$5.3 million in 2005.⁶ (Specialty items distributed along with the purchase of cigarettes were redesignated as retail-value-added expenses beginning in 1988.) In 2006, \$163.8 million was spent distributing non-branded, non-cigarette items in connection with the marketing or promotion of cigarettes.⁷ The total of \$169.3 million spent on specialty item distribution in 2006 accounts for 1.4 percent of total advertising and promotional expenditures; in 2005 the total was \$230.5 million, representing 1.8 percent of total spending.

In 2006, expenditures for adult-only public entertainment dropped to \$168.1 million, down from \$214.1 million in 2005. This category includes public entertainment events (*e.g.*, sponsorship of bar nights or concerts) that take place in an adult-only facility and that display the name or logo of a company’s cigarettes or otherwise refer to cigarettes.⁸

All reporting companies indicated that no money had been spent on endorsements and

⁶ Branded specialty item distribution includes the practice of selling or giving to consumers non-cigarette items such as T-shirts, caps, sunglasses, key chains, calendars, lighters, and sporting goods bearing a cigarette brand’s name or logo.

⁷ Non-branded specialty item distribution includes the practice of giving consumers non-cigarette items such as compact discs, lighters, and sporting goods in connection with the marketing of cigarettes.

⁸ As explained in footnote 4, above, the Commission is not reporting the amount spent on general audience public entertainment.

testimonials for cigarettes in 2006, or on audio-visual advertising.

The cigarette companies reported spending \$102.4 million for direct mail advertising in 2006, up from \$51.8 million spent in 2005.⁹

The industry reported spending \$625.8 million on coupons in 2006 (a decrease from the \$870.1 million reported in 2005).¹⁰

Retail-value-added expenditures are the costs associated with offers such as “buy one, get one free” and “buy three, get a free T-shirt,” where the bonus item is distributed at retail when the cigarettes are purchased.¹¹ The companies spent \$817.8 million in 2006 on retail-value-added involving free cigarettes. They also spent \$14.6 million on retail-value-added involving free non-cigarette items. Total retail-value-added expenditures were \$832.4 million in 2006, an increase from the \$732.5 million spent in 2005.

In 2006, the companies reported spending \$6.5 million on advertising on company websites; that figure had been \$2.7 million in 2005. They continued to report having made no expenditures on any other Internet advertising (*e.g.*, banner ads on third-party sites or direct mail advertising using e-mail).

In 2001, the Commission began requiring the major cigarette manufacturers to report expenditures on advertisements directed to youth or their parents that are intended to reduce youth smoking. For 2006, the companies reported spending \$57.7 million on such advertising, an increase

⁹ This category does not include direct mail containing coupons, which are reported separately.

¹⁰ In 2002, the Commission clarified that when coupons are distributed for free cigarettes and no purchase is required to redeem them, such activities should be reported only as “sampling,” not as “coupons.”

¹¹ The cigarettes and the bonus items are often packaged together as a single unit.

from the \$55.5 million spent in 2005.¹² These figures do not include contributions to third parties that engage in such programs.

Cigarette manufacturers reported that neither they nor anyone working for them or on their behalf paid money or any other form of compensation in connection with the production or filming of any motion pictures or television shows in 2006, or paid money or any other form of compensation to anyone engaged in product placement in motion pictures or television shows. The companies also reported that neither they nor anyone working for them or on their behalf: sought, solicited, granted approval, or otherwise gave permission for the appearance of any cigarette product or cigarette brand imagery in any motion picture, television show, or video appearing on the Internet.

The data on cigarette “advertising and promotional” expenditures reported in Tables 2 through 2D were not collected in their present form until 1975. Therefore, Table 3 reports cigarette advertising expenditures from 1963 through 1974.

IV. TAR RATINGS, FILTERS, LENGTH, AND FLAVOR

Tables 4 and 4A give the domestic market share of cigarettes with tar ratings of 15 milligrams (mg.) or less for the years 1967 through 2006. The data for the years since 1982 are further broken down into sub-categories according to tar ratings, *e.g.*, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 2006, cigarettes with tar ratings of 15 mg. or less constituted 92.7 percent of the domestic cigarette market (up from 83.5 percent in 2005), while cigarettes with tar ratings of 3 mg. or less – the lowest rated portion of the market – made up 0.6 percent of the market.

As shown in Tables 5 and 5A, filtered cigarettes have dominated the market since the

¹² These expenditures are not included in the \$12.49 billion reported in Table 2D.

Commission began collecting this information in 1963. Filtered cigarettes continued to account for 99 percent of the market in 2006.

Table 6 provides the domestic market share of the various cigarette length categories. The King-size (79-88 mm.) category continues to be the biggest seller, with 62 percent of the market in 2006. This category is followed by the Long (94-101 mm.) group, which held 34 percent of the market. Ultra-Long (110-121 mm.) and Regular (68-72 mm.) cigarettes accounted for two percent and one percent, respectively, of the market in 2006.

Table 7 gives the market share of menthol and non-menthol cigarettes. In 2006, the market share of menthol cigarettes was 20 percent, while non-menthols held 80 percent of the market. In 2005, those percentages had been 27 percent and 73 percent, respectively.

Tables 8 and 8A relate to whether “tar” ratings are displayed on cigarette packaging. Table 8A shows: (1) the percentage of the overall cigarette market represented by varieties with different tar ratings, and (2) within each tar group, the percentage of those varieties that discloses tar ratings on their packs.¹³ Table 8A shows that cigarette varieties that printed tar ratings on their packs represented only 0.9 percent of the overall market in 2006. Cigarettes with tar ratings of 8-11 mg. represented 49.1 percent of the market in 2006, but only 0.5 percent of these cigarettes disclosed their ratings on the pack. In contrast, 88.8 percent of cigarettes rated 3 mg. tar or less disclosed their ratings on the pack in 2006.

¹³ Prior to 2002, the Commission asked whether “tar and nicotine ratings” were displayed on cigarette packaging.

TABLE 1

TOTAL DOMESTIC CIGARETTE UNIT SALES
(IN BILLIONS OF INDIVIDUAL CIGARETTES)

<u>YEAR</u>	<u>TOTAL SALES REPORTED BY CIGARETTE MANUFACTURERS*</u>	<u>UNIT CHANGE FROM PRIOR YEAR</u>	<u>% CHANGE FROM PRIOR YEAR</u>	<u>USDA CIGARETTE CONSUMPTION ESTIMATES</u>
1963	516.5	---	---	523.9
1964	505.0	(11.5)	(2.2)	511.2
1965	521.1	16.1	3.2	528.7
1966	529.9	8.8	1.7	541.2
1967	525.8	5.9	1.1	549.2
1968	540.3	4.5	.8	545.7
1969	527.9	(12.4)	(2.3)	528.9
1970	534.2	6.3	1.1	536.4
1971	547.2	13.0	2.4	555.1
1972	561.7	14.5	2.7	566.8
1973	584.7	23.0	4.1	589.7
1974	594.5	9.8	1.7	599.0
1975	603.2	8.7	1.5	607.2
1976	609.9	6.7	1.1	613.5
1977	612.6	2.7	.4	617.0
1978	615.3	2.7	.4	616.0
1979	621.8	6.5	1.1	621.5
1980	628.2	6.4	1.0	631.5
1981	636.5	8.3	1.3	640.0
1982	632.5	(4.0)	(.6)	634.0
1983	603.6	(28.9)	(4.6)	600.0
1984	608.4	4.8	.8	600.4
1985	599.3	(9.1)	(1.5)	594.0
1986	586.4	(12.9)	(2.2)	583.8
1987	575.4	(11.0)	(1.9)	575.0
1988	560.7	(14.7)	(2.6)	562.5
1989	525.6	(35.1)	(6.3)	540.0
1990	523.7	(1.9)	(.4)	525.0
1991	510.9	(12.8)	(2.4)	510.0
1992	506.4	(4.5)	(.9)	500.0
1993	461.4	(45.0)	(8.9)	485.0
1994	490.2	28.8	6.2	486.0
1995	482.3	(7.9)	(1.6)	487.0
1996	484.1	1.8	0.4	487.0
1997	478.6	(5.5)	(1.1)	480.0
1998	458.6	(20.1)	(4.2)	465.0
1999	411.3	(47.2)	(10.3)	435.0
2000	413.9	2.6	.6	430.0

* Cigarettes sold by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

TABLE 1A

TOTAL DOMESTIC CIGARETTE UNITS SOLD AND GIVEN AWAY
(IN BILLIONS OF INDIVIDUAL CIGARETTES)

<u>YEAR</u>	<u>UNITS SOLD*</u>	<u>UNITS GIVEN AWAY**</u>	<u>TOTAL NUMBER SOLD AND GIVEN AWAY AS REPORTED BY MANUFACTURERS</u>	<u>UNIT CHANGE IN SOLD AND GIVEN AWAY FROM PRIOR YEAR</u>	<u>PERCENT CHANGE IN SOLD AND GIVEN AWAY FROM PRIOR YEAR</u>	<u>USDA CIGARETTE CONSUMPTION ESTIMATES</u>
2001	398.3	3.9	402.2	***	***	425.0
2002	376.4	11.1	387.4	(14.8)	(3.7)	415.0
2003	360.5	7.1	367.6	(19.8)	(5.1)	400.0
2004	361.3	2.1	363.4	(4.2)	(1.1)	388.0
2005	351.6	3.0	354.6	(8.8)	(2.4)	376.0
2006	343.4	7.2	350.6	(4.0)	(1.1)	371.0

* Cigarettes sold by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

** Cigarettes given away within the U.S. and to armed forces personnel stationed outside the U.S.

*** Prior to 2001, the Commission did not ask about cigarettes given away, although some cigarettes given away may have been reported as sold.

TABLE 2

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1970, 1975-1985 (DOLLARS IN THOUSANDS)*

	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newspapers	\$14,026 3.9%	\$104,460 21.3%	\$155,808 24.4%	\$190,677 24.5%	\$186,947 21.4%	\$240,978 22.2%	\$304,380 24.5%	\$358,096 23.1%	\$282,897 15.8%	\$200,563 10.6%	\$193,519 9.2%	\$203,527 8.2%
Magazines	\$50,018 13.9%	\$131,199 26.6%	\$148,032 23.2%	\$173,296 22.2%	\$184,236 21.1%	\$257,715 23.8%	\$266,208 21.4%	\$291,227 18.8%	\$349,229 19.5%	\$388,365 20.4%	\$425,912 20.3%	\$395,129 16.0%
Outdoor	\$7,338 2.0%	\$84,329 17.2%	\$102,689 16.1%	\$120,338 15.4%	\$149,010 17.0%	\$162,966 15.0%	\$193,333 15.6%	\$228,081 14.7%	\$266,925 14.9%	\$295,226 15.5%	\$284,927 13.6%	\$300,233 12.1%
Transit	\$5,354 1.5%	\$10,852 2.2%	\$19,341 3.0%	\$21,530 2.8%	\$22,899 2.6%	\$21,151 2.1%	\$26,160 2.0%	\$21,931 1.4%	\$24,135 1.3%	\$26,652 1.4%	\$25,817 1.2%	\$33,136 1.3%
Point-of-Sale	\$11,663 3.2%	\$35,317 7.2%	\$44,176 6.9%	\$46,220 5.9%	\$57,384 6.6%	\$66,096 6.1%	\$79,799 6.4%	\$98,968 6.4%	\$116,954 6.5%	\$170,059 8.9%	\$167,279 8.0%	\$142,921 5.8%
Promotional Allowances	\$33,789 9.4%	\$72,018 14.7%	\$82,523 12.9%	\$108,227 13.9%	\$125,148 14.3%	\$137,111 12.7%	\$179,094 14.4%	\$229,077 14.8%	\$272,269 15.2%	\$366,153 19.3%	\$363,247 17.3%	\$548,877 22.2%
Sampling Distribution	\$11,775 3.3%	\$24,196 4.9%	\$40,390 6.3%	\$47,683 6.1%	\$47,376 5.4%	\$64,286 5.9%	\$50,459 4.1%	\$81,522 5.3%	\$141,178 7.9%	\$125,968 6.6%	\$148,031 7.1%	\$140,565 5.7%
Specialty Item Distribution	\$5,652 2.6%	\$10,088 2.1%	\$20,030 3.1%	\$35,797 4.6%	\$48,281 5.5%	\$62,029 5.7%	\$69,248 5.6%	\$115,107 7.5%	\$95,246 5.3%	\$127,186 6.6%	\$140,431 6.7%	\$211,429 8.5%
Public Entertainment	\$544 0.2%	\$8,484 1.7%	\$7,946 1.3%	\$9,538 1.2%	\$11,590 1.3%	\$10,783 1.0%	\$16,914 1.4%	\$37,423 2.4%	\$63,168 3.5%	\$76,648 4.0%	\$59,988 2.9%	\$57,581 2.3%
Other**	\$220,841 61.1%	\$10,311 2.0%	\$18,182 2.8%	\$26,157 3.4%	\$42,100 4.8%	\$60,310 5.6%	\$56,694 4.6%	\$86,226 5.6%	\$181,813 10.1%	\$123,951 6.5%	\$286,035 13.7%	\$443,043 17.9%
Total	\$361,000 100%	\$491,254 100%	\$639,117 100%	\$779,463 100%	\$874,971 100%	\$1,083,425 100%	\$1,242,289 100%	\$1,547,658 100%	\$1,793,814 100%	\$1,900,771 100%	\$2,095,231 100%	\$2,476,441 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** Includes TV and Radio advertising expenditures of \$207,324,000 and \$12,492,000, respectively, for 1970. Broadcast advertising was banned after January 1, 1971. Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2A
DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1986-1995 (DOLLARS IN THOUSANDS)*

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Newspapers	\$119,629 5.0%	\$95,810 3.7%	\$105,783 3.2%	\$76,993 2.1%	\$71,174 1.8%	\$48,212 1.0%	\$35,467 0.7%	\$36,220 0.6%	\$24,143 0.5%	\$19,122 0.4%
Magazines	\$340,160 14.3%	\$317,748 12.3%	\$355,055 10.8%	\$380,393 10.5%	\$328,143 8.2%	\$278,110 6.0%	\$237,061 4.5%	\$235,253 3.9%	\$251,644 5.2%	\$248,848 5.1%
Outdoor	\$301,822 12.7%	\$269,778 10.5%	\$319,293 9.7%	\$358,583 9.9%	\$375,627 9.4%	\$386,165 8.3%	\$295,657 5.7%	\$231,481 3.8%	\$240,024 5.0%	\$273,664 5.6%
Transit	\$34,725 1.5%	\$35,822 1.4%	\$44,379 1.4%	\$52,294 1.4%	\$60,249 1.5%	\$60,163 1.3%	\$53,293 1.0%	\$39,117 0.6%	\$29,323 0.6%	\$22,543 0.5%
Point-of-Sale	\$135,541 5.7%	\$153,494 5.9%	\$222,289 6.8%	\$241,809 6.7%	\$303,855 7.6%	\$344,580 7.4%	\$366,036 7.0%	\$400,943 6.6%	\$342,650 7.1%	\$259,035 5.3%
Promotional Allowances	\$630,036 26.4%	\$702,430 27.2%	\$879,703 26.9%	\$999,843 27.6%	\$1,021,427 25.6%	\$1,156,280 24.9%	\$1,514,026 28.9%	\$1,557,635 25.8%	\$1,678,917 34.7%	\$1,865,657 38.1%
Sampling Distribution	\$98,866 4.1%	\$55,020 2.1%	\$74,511 2.3%	\$57,771 1.6%	\$100,893 2.5%	\$56,970 1.2%	\$49,315 0.9%	\$40,202 0.7%	\$6,974 0.1%	\$13,836 0.3%
Specialty Item Distribution	\$210,128 8.8%	\$391,351 15.2%	\$190,003 5.8%	\$262,432 7.3%	\$307,037 7.7%	\$184,348 4.0%	\$339,997 6.5%	\$755,780 12.5%	\$850,810 17.6%	\$665,173 13.6%
Public Entertainment	\$71,439 3.0%	\$71,389 2.8%	\$88,072 2.7%	\$92,120 2.5%	\$125,094 3.1%	\$118,622 2.6%	\$89,739 1.7%	\$84,276 1.4%	\$81,292 1.7%	\$110,669 2.3%
Direct Mail	\$187,057 7.9%	\$187,931 7.3%	\$42,545 1.3%	\$45,498 1.3%	\$51,875 1.3%	\$65,002 1.4%	\$34,345 0.7%	\$31,463 0.5%	\$31,187 0.7%	\$34,618 0.7%
Endorsements & Testimonials	\$384 0.0%	\$376 0.0%	\$781 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Coupons & Retail-Value-Added	**	**	\$874,127 26.7%	\$959,965 26.5%	\$1,183,798 29.6%	\$1,882,905 40.4%	\$2,175,373 41.6%	\$2,559,387 42.4%	\$1,248,896 25.8%	\$1,348,378 27.5%
Other***	\$252,570 10.0%	\$299,355 11.6%	\$78,366 2.4%	\$89,290 2.5%	\$62,917 1.6%	\$68,758 1.5%	\$41,608 0.8%	\$63,680 1.2%	\$47,672 1.0%	\$33,680 0.7%
Total	\$2,382,357 100%	\$2,580,504 100%	\$3,274,853 100%	\$3,616,993 100%	\$3,992,008 100%	\$4,650,114 100%	\$5,231,917 100%	\$6,035,437 100%	\$4,833,532 100%	\$4,895,223 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** Prior to 1987, the Commission did not specifically collect information on Coupons & Retail-Value-Added.

*** Expenditures for audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2B

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1996-2001 (DOLLARS IN THOUSANDS)*

	1996	1997	1998	1999	2000	2001
Newspapers	\$14,067 0.3%	\$16,980 0.3%	\$29,444 0.4%	\$50,952 0.6%	\$51,652 0.5%	\$31,676 0.3%
Magazines	\$243,046 4.8%	\$236,950 4.2%	\$281,296 4.2%	\$377,364 4.6%	\$294,916 3.1%	\$172,853 1.5%
Outdoor	\$292,261 5.7%	\$295,334 5.2%	\$294,721 4.4%	\$53,787 0.7%	\$9,262 0.1%	\$8,241 0.1%
Transit	\$28,865 0.6%	\$26,407 0.5%	\$40,158 0.6%	\$5,573 0.1%	\$4 0.0%	\$0 0.0%
Point-of-Sale	\$252,619 4.9%	\$305,360 5.4%	\$290,739 4.3%	\$329,429 4.0%	\$347,038 3.6%	\$284,319 2.5%
Promotional Allowances	\$2,150,838 42.1%	\$2,438,468 43.1%	\$2,878,919 42.8%	\$3,542,950 43.0%	\$3,913,997 40.8%	\$4,452,709 39.7%
Sampling Distribution	\$15,945 0.3%	\$22,065 0.4%	\$14,436 0.2%	\$33,711 0.4%	\$22,330 0.2%	\$17,175 0.2%
Specialty Item Distribution	\$544,345 10.7%	\$512,602 9.6%	\$355,835 5.3%	\$335,680 4.1%	\$327,826 3.4%	\$333,394 3.0%
Public Entertainment	\$171,177 3.4%	\$195,203 3.4%	\$248,536 3.7%	\$267,379 3.3%	\$309,610 3.2%	\$312,366 2.8%
Direct Mail	\$38,703 0.8%	\$37,310 0.7%	\$57,772 0.9%	\$94,610 1.2%	\$92,902 1.0%	\$133,947 1.2%
Endorsements & Testimonials	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Coupons		\$552,550 9.8%	\$624,199 9.3%	\$531,004 6.5%	\$705,299 7.4%	\$602,110 5.4%
Retail-Value-Added	\$1,308,708** 25.6%	\$970,363 17.1%	\$1,555,391 23.1%	\$2,559,883 31.1%	\$3,453,446 36.0%	\$4,761,792 42.5%
Internet	\$432 0.0%	\$215 0.0%	\$125 0.0%	\$651 0.0%	\$949 0.0%	\$841 0.0%
Other***	\$46,696 0.9%	\$50,207 1.0%	\$61,584 0.9%	\$54,658 0.7%	\$63,395 0.7%	\$104,797 0.9%
Total	\$5,107,700 100%	\$5,660,014 100%	\$6,733,157 100%	\$8,237,631 100%	\$9,592,627 100%	\$11,216,220 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** Prior to 1997, Coupons and Retail-Value-Added were reported as a single category.

*** Expenditures for audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2C

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 2002-2006 (DOLLARS IN THOUSANDS)*

	2002	2003	2004	2005
Newspapers	\$25,538 0.2%	\$8,251 0.1%	\$4,913 0.0%	\$1,589 0.0%
Magazines	\$106,852 0.9%	\$156,394 1.0%	\$95,700 0.7%	\$44,777 0.3%
Outdoor	\$24,192 0.2%	\$32,599 0.2%	\$17,135 0.1%	\$9,821 0.0%
Transit	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Point-of-Sale	\$260,902 2.1%	\$165,573 1.1%	\$163,621 1.2%	\$182,193 1.4%
Price Discounts	\$7,873,835 63.2%	\$10,808,239 71.4%	\$10,932,199 77.3%	\$9,776,069 74.6%
Promotional Allowances – Retailers	\$1,333,097 10.7%	\$1,229,327 8.1%	\$542,213 3.8%	\$435,830 3.3%
Promotional Allowances – Wholesalers	\$446,327 3.6%	\$683,067 4.5%	\$387,758 2.7%	\$410,363 3.1%
Promotional Allowances – Other	\$2,767 0.0%	\$2,786 0.0%	\$1,323 0.0%	\$1,493 0.0%
Sampling Distribution	\$28,777 0.2%	\$17,853 0.1%	\$11,649 0.0%	\$17,211 0.1%
Specialty Item Distribution – Branded	\$49,423 0.4%	\$9,195 0.1%	\$8,011 0.0%	\$5,255 0.0%
Specialty Item Distribution - Non-Branded	\$174,201 1.4%	\$254,956 1.7%	\$216,577 1.5%	\$225,279 1.7%
Public Entertainment – Adult-Only	\$219,016 1.8%	\$150,889 1.0%	\$140,137 1.0%	\$214,075 1.6%
Public Entertainment – General-Audience	\$34,089 0.3%	\$32,849 0.2%	\$115 0.0%	\$152 0.0%
Sponsorships	\$54,247 0.4%	\$31,371 0.2%	\$28,231 0.2%	\$30,575 0.2%
Endorsements & Testimonials	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Direct Mail	\$111,319 0.9%	\$92,978 0.6%	\$93,836 0.7%	\$51,844 0.0%
Coupons	\$522,246 4.2%	\$650,653 4.3%	\$751,761 5.3%	\$870,137 6.6%
Retail-Value-Added – Bonus Cigarettes	\$1,060,304 8.5%	\$677,308 4.5%	\$636,221 4.5%	\$725,010 5.5%
Retail-Value-Added – Non-Cigarette Bonus	\$24,727 0.2%	\$20,535 0.1%	\$14,343 0.1%	\$7,526 0.0%
Company Website	\$940 0.0%	\$2,851 0.0%	\$1,401 0.0%	\$2,675 0.0%
Internet – Other	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Telephone	\$679 0.0%	\$760 0.0%	\$346 0.0%	\$59 0.0%
Other**	\$112,879 0.9%	\$117,563 0.8%	\$102,369 0.7%	\$99,025 0.8%
Total	\$12,466,358 100.0%	\$15,145,998 100.0%	\$14,149,859 100.0%	\$13,110,958 100.0%

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the "All Others" category to avoid potential disclosure of individual company data.

TABLE 2D

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEAR 2006 (DOLLARS IN THOUSANDS)*

	2006
Newspapers	N/A --
Magazines	\$50,293 0.0%
Outdoor	\$935 0.0%
Transit	\$0 0.0%
Point-of-Sale	\$242,625 1.9%
Price Discounts	\$9,205,106 73.7%
Promotional Allowances – Retailers	\$434,239 3.5%
Promotional Allowances – Wholesalers	\$471,204 3.8%
Promotional Allowances – Other	N/A --
Sampling Distribution	\$29,431 0.2%
Specialty Item Distribution – Branded	\$5,546 0.0%
Specialty Item Distribution - Non-Branded	\$163,761 1.3%
Public Entertainment – Adult-Only	\$168,098 1.3%
Public Entertainment – General-Audience	N/A --
Sponsorships	N/A --
Endorsements & Testimonials	\$0 0.0%
Direct Mail	\$102,353 0.8%
Coupons	\$625,777 5.0%
Retail-Value-Added – Bonus Cigarettes	\$817,792 6.5%
Retail-Value-Added – Non-Cigarette Bonus	\$14,642 0.1%
Company Website	\$6,497 0.1%
Internet – Other	\$0 0.0%
Telephone	N/A --
Audio-Visual	\$0 0.0%
All Others**	\$151,392 1.2%
Total	\$12,489,692

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures denoted “N/A” are included in the “All Others” category to avoid potential disclosure of individual company data.

TABLE 3

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1963 - 1974*
(MILLIONS OF DOLLARS)

<u>YEAR</u>	<u>TV</u>	<u>RADIO</u>	<u>NEWSPAPER</u>	<u>MAGAZINES</u>	<u>DIRECT</u>	<u>BILLBOARD/ POSTER/ OUTDOOR/ TRANSIT</u>	<u>OTHER</u>	<u>TOTAL</u>
1963	\$151.7	31.6	45.6		13.2	NA	7.4	249.5
1964	170.2	25.5	45.2		14.6	NA	5.8	261.3
1965	175.6	24.8	41.9		14.7	NA	6.0	263.0
1966	198.0	31.3	43.4		17.9	NA	6.9	297.5
1967	226.9	17.5	41.2		20.3	NA	6.0	311.5
1968	217.2	21.3	44.6		21.6	NA	6.0	310.7
1969	221.3	13.6	48.7		13.4	NA	8.9	305.9
1970	205.0	12.4	14.7	49.5	16.9	11.7	4.5	314.7
1971	2.2	0	59.3	98.3	27.0	60.6	4.2	251.6
1972	0	0	63.1	96.1	22.9	67.5	8.0	257.6
1973	0	0	65.3	92.4	15.2	63.2	11.4	247.5
1974	0	0	80.5	114.6	31.1	71.4	9.2	306.8

* The data reported in Tables 2 through 2D were not collected in their present form until 1975. Thus, Table 3, which reports cigarette advertising expenditures from 1963 through 1974, has been retained in this report for comparative purposes.

TABLE 4
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

Year	Market share of cigarettes having tar yields of:				
	15 mg. or less	12 mg. or less	9 mg. or less	6 mg. or less	3 mg. or less
1967	2.0%	NA	NA	NA	NA
1968	2.5%	NA	NA	NA	NA
1969	3.0%	NA	NA	NA	NA
1970	3.6%	NA	NA	NA	NA
1971	3.8%	NA	NA	NA	NA
1972	6.6%	NA	NA	NA	NA
1973	8.9%	NA	NA	NA	NA
1974	8.9%	NA	NA	NA	NA
1975	13.5%	NA	NA	NA	NA
1976	15.9%	NA	NA	NA	NA
1977	22.7%	NA	NA	NA	NA
1978	27.5%	NA	NA	NA	NA
1979	40.9%	NA	NA	NA	NA
1980	44.8%	NA	NA	NA	NA
1981	56.0%	NA	NA	NA	NA
1982	52.2%	43.8%	27.8%	8.9%	2.9%
1983	53.1%	44.9%	27.9%	9.4%	3.1%
1984	51.0%	43.4%	26.3%	9.4%	2.9%
1985	51.9%	43.1%	25.3%	8.4%	2.3%
1986	52.6%	44.5%	22.3%	9.9%	2.6%
1987	55.4%	47.8%	20.2%	10.0%	2.5%
1988	54.2%	48.7%	20.1%	10.7%	3.1%
1989	55.1%	48.4%	21.5%	11.4%	2.4%
1990	60.6%	51.5%	25.5%	12.2%	2.8%

TABLE 4A
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

Year	Market share of cigarettes having tar yields of:				
	15 mg. or less	12 mg. or less	9 mg. or less	6 mg. or less	3 mg. or less
1991	60.5%	52.6%	22.0%	12.7%	2.6%
1992	68.7%	52.9%	24.9%	12.7%	2.5%
1993	66.5%	53.3%	23.4%	12.6%	1.9%
1994	71.2%	53.7%	23.1%	12.3%	2.1%
1995	72.7%	53.6%	27.1%	12.2%	2.2%
1996	67.4%	55.5%	22.3%	11.9%	1.9%
1997	70.2%	55.6%	21.9%	11.5%	1.7%
1998	81.9%	56.8%	22.9%	13.2%	1.6%
1999	86.6%	57.4%	25.3%	13.6%	1.6%
2000	87.1%	50.4%	23.7%	13.6%	1.3%
2001	85.2%	58.1%	22.6%	13.2%	1.0%
2002	84.9%	58.2%	22.5%	12.9%	0.9%
2003	84.9%	59.5%	22.5%	12.6%	0.8%*
2004	84.8%	57.7%	19.2%	11.5%	0.8%
2005	83.5%	58.4%	18.7%	11.5%	0.6%
2006	92.7%	63.2%	21.0%	12.4%	0.6%

* This figure was erroneously reported as 1.0% in a previous Commission report.

TABLE 5

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

<u>YEAR</u>	<u>NON-FILTER</u>	<u>FILTER</u>	<u>CHARCOAL</u>	<u>NON-CHARCOAL</u>
1963	42%	58%	*	*
1964	39%	61%	*	*
1965	36%	64%	*	*
1966	32%	68%	*	*
1967	28%	72%	*	*
1968	26%	74%	6%	68%
1969	23%	77%	6%	71%
1970	20%	80%	6%	74%
1971	18%	82%	6%	76%
1972	16%	84%	6%	77%***
1973	15%	85%	5%	80%
1974	14%	86%	5%	81%
1975	13%	87%	5%	82%
1976	12%	88%	4%	84%
1977	10%	90%	4%	86%
1978	10%	90%	3%	87%
1979	9%	91%	3%	88%
1980	8%	92%	3%	89%
1981	8%	92%	2%	90%
1982	7%	93%	2%	91%
1983	7%	93%	2%	91%
1984	7%	93%	2%	91%
1985	6%	94%	1%	93%
1986	6%	94%	1%	93%
1987	4%	96%	**	**

* Figures for charcoal filter cigarettes for the years 1963 through 1967 were not obtained.

** Beginning with 1987, figures for charcoal filter cigarettes have no longer been reported.

*** This figure was previously misreported as 87%.

TABLE 5A

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

<u>YEAR</u>	<u>NON-FILTER</u>	<u>FILTER</u>
1988	5%	95%
1989	5%	95%
1990	5%	95%
1991	4%	96%
1992	3%	97%
1993	3%	97%
1994	3%	97%
1995	3%	97%
1996	3%	97%
1997	2%	98%
1998	2%	98%
1999	2%	98%
2000	2%	98%
2001	2%	98%
2002	2%	98%
2003	1%	99%
2004	1%	99%
2005	1%	99%
2006	1%	99%

TABLE 6

DOMESTIC MARKET SHARE OF CIGARETTES
BY LENGTH IN MILLIMETERS (mm.)*

<u>YEAR</u>	<u>68-72 mm.</u>	<u>79-88 mm.</u>	<u>94-101 mm.</u>	<u>110-121 mm.</u>
1967	14%	77%	9%	---
1968	12%	74%	13%	---
1969	11%	74%	16%	---
1970	9%	73%	18%	---
1971	8%	72%	20%	---
1972	8%	71%	21%	---
1973	7%	71%	22%	---
1974	6%	71%	23%	--- **
1975	6%	69%	24%	1%
1976	5%	69%	24%	2%
1977	5%	67%	26%	2%
1978	5%	65%	27%	2%
1979	4%	65%	30%	2%
1980	3%	63%	32%	2%
1981	3%	62%	33%	2%
1982	3%	61%	34%	2%
1983	3%	60%	34%	2%
1984	3%	59%	36%	2%
1985	3%	58%	37%	2%
1986	2%	58%	37%	3%
1987	2%	57%	38%	3%
1988	2%	57%	38%	2%
1989	2%	57%	39%	2%
1990	2%	57%	39%	2%
1991	2%	56%	40%	2%
1992	2%	56%	41%	2%
1993	1%	55%	42%	2%
1994	1%	56%	41%	2%
1995	1%	57%	40%	2%
1996	1%	57%	40%	2%
1997	1%	58%	39%	2%
1998	1%	59%	38%	2%
1999	1%	59%	38%	2%
2000	1%	60%	37%	2%
2001	1%	60%	38%	1%
2002	1%	61%	37%	2%
2003	1%	61%	36%	2%
2004	1%	62%	35%	2%
2005	1%	62%	35%	2%
2006	1%	62%	34%	2%

* Because of rounding, the total of the individual percentages may not equal 100 percent in some instances.

** The 110-121 mm. length was combined with 94-101 mm. length.

TABLE 7

DOMESTIC MARKET SHARE OF MENTHOL
AND NON-MENTHOL CIGARETTES

<u>YEAR</u>	<u>MENTHOL</u>	<u>NON-MENTHOL</u>
1963	16%	84%
1964	16%	84%
1965	18%	82%
1966	19%	81%
1967	20%	80%
1968	21%	79%
1969	22%	78%
1970	23%	77%
1971	24%	76%
1972	24%	76%
1973	25%	75%
1974	27%	73%
1975	27%	73%
1976	28%	72%
1977	28%	72%
1978	28%	72%
1979	29%	71%
1980	28%	72%
1981	28%	72%
1982	29%	71%
1983	28%	72%
1984	28%	72%
1985	28%	72%
1986	28%	72%
1987	28%	72%
1988	28%	72%
1989	27%	73%
1990	26%	74%
1991	27%	73%
1992	26%	74%
1993	26%	74%
1994	25%	75%
1995	25%	75%
1996	25%	75%
1997	25%	75%
1998	26%	74%
1999	26%	74%
2000	26%	74%
2001	26%	74%
2002	27%	73%
2003	27%	73%
2004	27%	73%
2005	27%	73%
2006	20%	80%

TABLE 8

DISCLOSURE OF TAR AND NICOTINE RATINGS
ON CIGARETTE PACKS (1994 -2001)

		1994	1995	1996	1997	1998	1999	2000	2001
% of overall market that discloses ratings on the pack		6.3%	6.3%	6.1%	5.8%	5.3%	4.1%	3.6%	1.8%
more than 15 mg. tar	market share of varieties in tar group	28.8%	27.3%	32.7%	29.8%	18.0%	13.4%	12.9%	14.8%
	% that discloses ratings on pack	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12-15 mg. tar	market share of varieties in tar group	19.3%	21.0%	15.3%	16.7%	29.1%	32.5%	39.0%	29.7%
	% that discloses ratings on pack	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
8-11 mg. tar	market share of varieties in tar group	38.6%	38.7%	39.2%	41.0%	39.4%	40.3%	33.9%	42.1%
	% that discloses ratings on pack	2.4%	2.8%	2.6%	2.3%	3.2%	1.6%	0.7%	1.0%
4-7 mg. tar	market share of varieties in tar group	11.2%	10.8%	10.9%	10.8%	11.9%	12.2%	12.9%	12.5%
	% that discloses ratings on pack	30.7%	30.1%	29.3%	28.6%	20.7%	16.2%	16.5%	3.7%
3 mg. tar or less	market share of varieties in tar group	2.1%	2.2%	1.9%	1.7%	1.6%	1.6%	1.3%	1.0%
	% that discloses ratings on pack	91.8%	89.1%	97.2%	97.3%	97.4%	92.3%	92.0%	87.9%

TABLE 8A						
DISCLOSURE OF TAR RATINGS ON CIGARETTE PACKS (2002-2006)						
		2002	2003	2004	2005	2006
% of overall market that discloses ratings on the pack		1.4%*	1.2%	1.2%	0.9%	0.9%
more than 15 mg. tar	market share of varieties in tar group	15.1%	15.1%	15.2%	16.5%	7.3%
	% that discloses ratings on pack	0.0%	0.0%	0.0%	0.0%	0.0%
12-15 mg. tar	market share of varieties in tar group	28.8%	28.9%	30.3%	28.3%	31.0%
	% that discloses ratings on pack	0.0%	0.0%	0.0%	0.0%	0.0%
8-11 mg. tar	market share of varieties in tar group	43.0%*	43.2%*	42.5%	43.3%	49.1%
	% that discloses ratings on pack	0.9%	0.8%	0.7%	0.6%	0.5%
4-7 mg. tar	market share of varieties in tar group	12.2%	12.0%	11.2%	11.3%	12.0%
	% that discloses ratings on pack	1.8%	1.5%	1.5%	1.2%	1.0%
3 mg. tar or less	market share of varieties in tar group	0.9%*	0.8%*	0.8%	0.6%	0.6%
	% that discloses ratings on pack	88.7%*	89.9%*	91.6%	90.7%	88.8%

* These figures were reported erroneously in a previous Commission report.

APPENDIX

2006 Advertising and Promotional Expenditure Categories

Newspapers: Newspaper advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Magazines: Magazine advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Outdoor: Billboards; signs and placards in arenas, stadiums, and shopping malls, whether they are open air or enclosed; and any other advertisements placed outdoors, regardless of their size, including those on cigarette retailer property; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Audio-visual: Audio-visual or video advertising on any medium of electronic communication not subject to the Federal Communications Commission's jurisdiction, including screens at motion picture theaters, video cassettes or DVDs, and television screens or monitors in stores; but excluding expenditures in connection with Internet advertising.

Transit: Advertising on or within private or public vehicles and all advertisements placed at, on or within any bus stop, taxi stand, transportation waiting area, train station, airport, or any other transportation facility; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Point-of-Sale: Point-of-sale advertisements; but excluding expenditures in connection with outdoor advertising, sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail-value-added.

Price discounts: Price discounts paid to cigarette retailers or wholesalers in order to reduce the price of cigarettes to consumers, including off-invoice discounts, buy downs, voluntary price reductions, and trade programs; but excluding retail-value-added expenditures for promotions involving free cigarettes and expenditures involving coupons.

Promotional Allowances – Retail: Promotional allowances paid to cigarette retailers in order to facilitate the sale or placement of any cigarette, including payments for stocking, shelving, displaying and merchandising brands, volume rebates, incentive payments, and the cost of cigarettes given to retailers for free for subsequent sale to consumers; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, and price discounts.

Promotional Allowances – Wholesale: Promotional allowances paid to cigarette wholesalers in order to facilitate the sale or placement of any cigarette, including payments for volume rebates, incentive payments, value added services, promotional execution and satisfaction of reporting requirements; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail promotional allowances.

Promotional Allowances – Other: Promotional allowances paid to any persons other than retailers, wholesalers, and full-time company employees who are involved in the cigarette distribution and sales process in order to facilitate the sale or placement of any cigarette; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail and wholesale promotional allowances.

Sampling: Sampling of cigarettes, including the cost of the cigarettes, all associated excise taxes and increased costs under the Master Settlement Agreement, and the cost of organizing, promoting, and conducting sampling. Sampling includes the distribution of cigarettes for consumer testing or evaluation when consumers are able to smoke the cigarettes outside of a facility operated by the Company, but not the cost of actual clinical testing or market research associated with such cigarette distributions. Sampling also includes the distribution of coupons for free cigarettes, when no purchase or payment is required to obtain the coupons or cigarettes.

Specialty Item Distribution – Branded: All costs of distributing any item (other than cigarettes, items the sole function of which is to advertise or promote cigarettes, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that bears the name, logo, or an image of any portion of the package of any brand or variety of cigarettes, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-cigarette items in connection with sampling or retail-value-added programs are reported in those categories, not as specialty item distribution.

Specialty Item Distribution – Non-Branded: All costs of distributing any item (other than cigarettes, items the sole function of which is to advertise or promote cigarettes, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that does not bear the name, logo, or an image of any portion of the package of any brand or variety of cigarette, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-cigarette items in connection with sampling or retail-value-added programs are reported in those categories, not as specialty item distribution.

Direct Mail: Direct mail advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, retail-value-added, and Internet advertising.

Public Entertainment – Adult-Only: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of a company's cigarettes or otherwise referring or relating to cigarettes, which take place in an adult-only facility, including all expenditures made by the company in promoting and/or sponsoring such events.

Public Entertainment – General-Audience: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of a company's cigarettes or otherwise referring or relating to cigarettes, which do not take place in an adult-only facility, including all expenditures made by the company in promoting and/or sponsoring such events.

Retail-Value-Added – Bonus Cigarettes: Retail-value-added expenditures for promotions involving free cigarettes (*e.g.*, buy two packs, get one free), whether or not the free cigarettes are physically bundled together with the purchased cigarettes, including all expenditures and costs associated with the value added to the purchase of cigarettes (*e.g.*, excise taxes paid for the free cigarettes and increased costs under the Master Settlement Agreement).

Retail-Value-Added – Non-Cigarette Bonus: Retail-value-added expenditures for promotions involving free non-cigarettes items (*e.g.*, buy two packs, get a cigarette lighter), including all expenditures and costs associated with the value added to the purchase of cigarettes.

Coupons: All costs associated with coupons for the reduction of the retail cost of cigarettes, whether redeemed at the point-of-sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution, and redemption. However, when coupons are distributed for free cigarettes and no purchase or payment is required to obtain the coupons or the cigarettes, these activities are considered to be sampling and not couponing.

Sponsorships: Sponsorships of sports teams or individual athletes, but excluding endorsements.

Endorsements & Testimonials: Endorsements, testimonials, and product placement.

Company Website: All expenditures associated with advertising on any company Internet website.

Internet – Other: Internet advertising other than on the Company's own Internet website, including on the World Wide Web, on commercial on-line services, and through electronic mail messages.

Telephone: Telephone advertising, including costs associated with the placement of telemarketing calls or the operation of incoming telephone lines that allow consumers to participate in any promotion or hear pre-recorded product messages; but excluding costs associated with having customer service representatives available for responding to consumer complaints or questions.

All Other: Advertising and promotional expenditures not covered by another category.