Subject: Marlboro Performance Options, Business Enhancement Funds and Loyalty Fund Program Notice - National excluding Massachusetts

To: Retailer

From: Altria Group Distribution Company (AGDC) on behalf of Philip Morris USA (PM USA)

Purpose: This Promotion Notice details the Marlboro Performance Options, Business Enhancement Funds and Loyalty Fund Program offers available to Retailers participating in the PM USA 2015 Retail Leaders Program Agreement (the “Agreement”). This Promotion Notice contains the terms and conditions applicable to the below PM USA initiatives. Retailer should discuss these options with its AGDC Representative to select the best options for its business.

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Definitions and Governance: Relevant definitions are set forth in the Appendix on pages 18-19 of this Promotion Notice. Capitalized terms used but not defined in this Promotion Notice have the meaning set forth in the Agreement. The Agreement is posted in the PM USA Merchandising and Promotions section on www.insightsc3m.com. Retailer’s participation in any Marlboro Performance Option, Business Enhancement Fund, or the Loyalty Fund Program is subject to the terms and conditions set forth in the Agreement, any geographic-specific Promotion Notices, and this Promotion Notice.
MARLBORO PERFORMANCE OPTIONS

Overview
If Retailer is participating in the Agreement at the Premium Level, Retailer may participate in one of the Marlboro Performance Options (MPOs). MPOs are PM USA Promotions and include Marlboro Leadership Price (MLP), MLP II, and Margin Option. Participation in an MPO is voluntary and intended to provide an opportunity for Retailer to select among options that accommodate various retail pricing strategies. Below is a summary of the MPOs:

- **MLP funds**: 20¢ per pack for a Marlboro Single Pack Price (MSPP) that is at or below the MLP designated by PM USA.
- **MLP II funds**: 15¢ per pack for a MSPP that is at or below the MLP II designated by PM USA.
- **Margin funds**: 10¢ per pack for a Margin or Penny Profit on Marlboro cigarettes that is less than or equal to the lowest Margin or Penny Profit on Camel or Newport cigarettes.

Although Retailer’s participation in one of the MPOs is voluntary, Retailer must participate in a MPO to be eligible to participate in additional PM USA promotional programs including:

- Business Enhancement Funds
- Loyalty Fund Program
- Select PM USA Special Price Promotions (SPPs)

Participation
Retailer may participate in one MPO per Store per Promotion Period. To begin participating in a MPO, Retailer must communicate its MPO election for a Store to its AGDC Representative no later than the Friday prior to the start of the Promotion Period. In this case, participation in the MPO begins on the first day of the Promotion Period. However, if a Store has never participated in a MPO, the Store may begin participating in a MPO with any effective date during the current Promotion Period. Retailer will be paid for the portion of the Promotion Period in which the Store participates.

The Retailer’s MPO election for a Store will carry over from one Promotion Period to the next until either Retailer communicates a new election, opts-out, or PM USA announces a change in the availability of a MPO. Retailer may opt-out of its MPO for a Store at any time by contacting its AGDC Representative.

Performance Validation
During each Promotion Period, AGDC will verify each Store’s compliance with the terms of the MPO that Retailer has selected. PM USA will not pay MLP funds, MLP II funds, or Margin Option funds for a Store with non-compliant pricing.
Unless otherwise communicated by AGDC, if a Store fails to meet the requirements of its MPO at the time an AGDC Representative visits the Store,Retailer will be able to earn the applicable PM USA Promotional Allowance for the remaining portion of the Promotion Period for that Store if the Store corrects its performance to satisfy the applicable requirements prior to the AGDC Representative leaving. Without taking such corrective action, Retailer will not earn the applicable PM USA Promotional Allowance for the entire Promotion Period for that Store.

**Payment Details**

PM USA will pay MLP funds, MLP II funds or Margin funds on purchases of Marlboro cigarettes, net of returns, as reported in STARS. PM USA will make such payments **monthly**.

PM USA will refuse payment on purchases of promoted packings that exceed sales to adult smokers during the Promotion Period, as determined by PM USA. Upon AGDC’s request, Retailer must provide AGDC information and documentation, in a form satisfactory to AGDC, sufficient to verify compliance with the requirements of the MPO it selected.

Only an Uncapped Store is eligible to receive PM USA Promotional Allowances on cigarette volume exceeding 800 cartons per week during a Promotion Period.

Retailer is responsible for monitoring its MPO payments and reporting any perceived inaccuracy to its AGDC Representative. If Retailer disputes a MPO payment, Retailer must provide AGDC information and documentation (e.g., scan data, register tapes, wholesale invoices, and competitive promotional notices), in a form acceptable to AGDC, sufficient to verify the Store’s compliance with the requirements of the MPO during the Promotion Period. Sufficient documentation must be provided within three months of the end of the Promotion Period for which payment is disputed. AGDC has the sole discretion to determine whether the documentation provided verifies compliance.

**MLP OPTIONS**

**Overview**

The MLP and MLP II Options reward Stores for offering a competitive MSPP to adult smokers.

The MLPs are the recommended maximum price designated by PM USA for the retail sale of Marlboro cigarettes. The MLPs may be adjusted from time to time at the discretion of PM USA. Current MLPs are available on [www.insightsc3m.com](http://www.insightsc3m.com) on the My Report Center page, or can be provided by Retailer’s AGDC Representative.
**Requirements**

To earn MLP or MLP II funds for a Store, Retailer must communicate its election to participate in MLP or MLP II for a Store to its AGDC Representative and each Store must satisfy the following requirements:

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Establish and maintain a MSPP that is no higher than the MLP or MLP II designated by PM USA for that Store (“Qualifying MSPP”).</td>
</tr>
<tr>
<td>Interior Signage</td>
<td>Place and maintain either (a) an Interior Cigarette Sign with an area no smaller than 144 square inches that advertises a Qualifying MSPP in (i) the PM USA Signage Zone, or (ii) the Number One Interior Cigarette Sign location outside of the PM USA Signage Zone, but entirely within 48 inches of the Primary Cigarette Merchandising Area (“PCMA”) and not in a Fixture; or (b) any point-of-sale signage that advertises a Qualifying MSPP in the PM USA Portion of the PCMA. In a Display Plan Store, an Interior Cigarette Sign must be located within 48 inches of where PM USA Cigarettes are merchandised behind the Selling Counter.</td>
</tr>
</tbody>
</table>

**Payment Details**

If a Store satisfies the requirements of its MLP or MLP II election during a Promotion Period, Retailer will earn the MLP or MLP II funds reflected below with respect to the Store:

<table>
<thead>
<tr>
<th>MLP Options</th>
<th>Rates</th>
<th>Eligible Packings</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Excluding MA</td>
<td>20¢ / $2.00¹ Pack / Carton</td>
<td>All Marlboro SKUs</td>
</tr>
<tr>
<td>MLP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MLP II</td>
<td>15¢ / $1.50¹ Pack / Carton</td>
<td>All Marlboro SKUs</td>
</tr>
</tbody>
</table>

¹Select geographies may have different MLP and MLP II rates. Please reference the geography-specific Promotion Notices and related materials available on insightsc3m.com for details.

Retailer will receive payment for the MPO that Retailer elected for a Store, regardless of whether the Store meets the requirements of another MPO.

**Compliance with PM USA Retail Price Promotions**

If a Store is participating in MLP or MLP II and is also participating in a PM USA Retail Price Promotion (i.e., SPP) for Marlboro cigarettes, the Store must reduce its selling price for each Marlboro promoted packing by subtracting no less than the amount of all applicable PM USA Promotional Allowances from the MSPP. Compliance with PM USA Retail Price Promotions is measured separately from compliance with MLP Options.
**MARGIN OPTION**

**Overview**
Margin Option rewards a Store whose Margin or Penny Profit on Marlboro cigarettes is less than or equal to its lowest Margin or Penny Profits on Camel or Newport cigarettes.

The purpose of Margin Option is to reduce the prices of Marlboro cigarettes to adult smokers. Nothing about Margin Option should be interpreted to suggest that Retailer should increase the price of any PM USA or non-PM USA Cigarettes.

Retailer is always free to price PM USA and non-PM USA Cigarettes at whatever prices it chooses. AGDC Representatives will not provide recommendations as to the price, Margin or Penny Profits for any non-PM USA Cigarette brand.

**Requirements**
To earn Margin funds for a Store, Retailer must communicate its election to participate in Margin Option and each Store must satisfy the following requirements:

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Description</th>
</tr>
</thead>
</table>
| Pricing and Pass-Through | 1) A Store’s Margin or Penny Profits applied to the Non-Promoted Retail Price of each Pack Configuration of Marlboro (single pack, carton and multi-packs) must be no greater than the Store’s Margin or Penny Profits applied to the Non-Promoted Retail Price of the same Pack Configuration of any style Camel or Newport cigarette, whichever is lower.  
2) A Store must pass through all Margin Funds from a Non-Promoted Retail Price of Marlboro that is no higher than its Maximum Non-Promoted Retail Price. |
| Documentation      | If a Store chooses to participate in Margin Option, its pricing data, Cost, and Manufacturer-Funded Promotional Allowance amounts on Marlboro, Camel and Newport must be provided to its AGDC Representative or otherwise provided to AGDC Headquarters. That information will be used to confirm that the Store satisfied the Margin Option Pricing and Pass-through Requirements. Documentation should be provided as follows:  
• **Independent Stores:** To your AGDC Representative during the Store visit;  
• **Chain Stores:** To Retailer’s AGDC Representative during a Store visit, or to AGDC’s Headquarters, no later than the end of the first week of the Promotion Period.  
• **Service Center Stores:** To the Service Center by contacting the Service Center via telephone or by entering the information on the Price Updater screen of www.insightsc3m.com by the end of the Promotion Period. |
### Payment Details

If a Store satisfies the requirements of Margin Option, Retailer will earn the funds reflected below for such Store:

<table>
<thead>
<tr>
<th>Margin Option</th>
<th>National Excluding MA</th>
<th>Margin Funds</th>
<th>Eligible Packings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin Option</td>
<td>10¢ /$1.00 (Pack / Carton)</td>
<td>All Marlboro SKUs</td>
<td></td>
</tr>
</tbody>
</table>

Retailer will receive payment for the MPO that Retailer elected for a Store, regardless of whether the Store meets the requirements of another MPO.

### Performance Validation

Based on the documentation provided, AGDC will take the following steps to verify a Store’s performance:

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Determine the Non-Promoted Price</td>
</tr>
<tr>
<td>2.</td>
<td>Calculate the Margin or Penny Profit</td>
</tr>
<tr>
<td>3.</td>
<td>Calculate the Maximum Non-Promoted Retail Prices</td>
</tr>
<tr>
<td>4.</td>
<td>Determine Maximum Promoted Retail Prices</td>
</tr>
</tbody>
</table>

A Store will satisfy the pricing and pass-through Requirement only if the Store’s retail selling price for Marlboro cigarettes is at or below the Maximum Promoted Retail Price.

### Margin Funds and Pass-Through

Margin Funds are a PM USA Retail Price Promotional Allowance that a Store must pass through from the Maximum Non-Promoted Retail Price of Marlboro to adult smokers. These Margin Funds help the Store lower the price of Marlboro cigarettes. The Store is not required to maintain its Non-Promoted Retail Price from the previous Promotion Period when passing through the Margin Funds.
BUSINESS ENHANCEMENT FUNDS

Overview

PM USA is offering Business Enhancement Funds (BEFs) designed to provide MPO participants with additional Promotional Allowances to support sales of select PM USA SKUs in its Store(s).

Retailer may elect one of the following five BEF options for a Store per Promotion Period:

1. Marlboro Black SPP Plus
2. Marlboro Select SPP
3. Marlboro Mainline Menthol SPP
4. Marlboro Leadership SPP (“MLSPP”)
5. Marlboro Multi-Pack Funds

Retailer may participate in one BEF option per Store per Promotion Period. Retailer’s AGDC representative may recommend a specific BEF option for a Store’s PM USA business, however, it is ultimately up to Retailer to choose a BEF option for its Store. To begin participating in a BEF option, Retailer must communicate the Store’s BEF election to its AGDC Representative no later than the Friday prior to the start of the Promotion Period. In this case, participation in the BEF option begins on the first day of the Promotion Period. However, if a Retailer has never participated in a BEF option, Retailer may begin participating in a BEF option with any effective date during the current Promotion Period. Retailer will be paid for the portion of the Promotion Period in which Retailer participates.

A Store’s BEF election will carry over from one Promotion Period to the next until either Retailer communicates a new election, opts-out, or PM USA announces a change in the availability of a BEF option. Retailer may opt-out of its BEF option at any time by contacting its AGDC Representative.

Only an Uncapped Store is eligible to receive PM USA Promotional Allowances on cigarette volume exceeding 800 cartons per week during a Promotion Period.

MARLBORO BLACK SPP PLUS

Overview

The Marlboro Black SPP Plus is a PM USA Retail Price Promotion intended to further reduce the price of eligible Marlboro Black SKUs.

Relevant details on geography-specific rates and eligible SKUs can be found on insightsc3m.com.
Requirements

To participate, Retailer must communicate the Store’s election of the Marlboro Black SPP Plus to its AGDC Representative no later than the Friday prior to the beginning of the Promotion Period.

A Store must meet the pass through requirements of any state-specific Marlboro Black SPP to be eligible to earn the Marlboro Black SPP Plus Promotional Allowance. In addition, each Store must meet the following requirements:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Pass through to adult smokers no less than the full amount of the Marlboro Black SPP Plus Promotional Allowance on all eligible Marlboro Black SKUs, including revenue product, Product Promotions and Retailer-funded multi-pack offers, during each Promotion Period.</td>
</tr>
<tr>
<td>Interior Visibility</td>
<td>Display the lowest available price on Marlboro Black in the PM USA signage zone or the applicable area of the PM USA portion of the PCMA.</td>
</tr>
<tr>
<td>Exterior Visibility</td>
<td>If a Store places Exterior Cigarette signs, place at least one Exterior Cigarette Sign that advertises Marlboro Black. No more than three PM USA Exterior Cigarette Signs may be placed at a Store at one time.</td>
</tr>
</tbody>
</table>

A Store will not be eligible to receive the Marlboro Black SPP Plus Promotional Allowance if either:

1. The Store has not passed through the full amount of any applicable Marlboro Black SPP; or
2. The Store has not passed through the full amount of the Marlboro Black SPP Plus.

If a Store passes through the full amount of a Marlboro Black SPP, but does not meet the pass-through requirement of the Marlboro Black SPP Plus, Retailer will receive payment for the Marlboro Black SPP only.

Payment Details

If a Store satisfies the above requirements during a Promotion Period, Retailer will earn the Marlboro Black SPP Plus Promotional Allowance for that Store. All Marlboro Black SPP Plus funds will be paid on purchases of the applicable PM USA Cigarettes, net of returns, as reported in STARS.

If a Store is not meeting the pass through requirement at the time an AGDC Representative visits the Store, the Store may adjust its prices to satisfy the requirement before its AGDC Representative leaves. In such case, Retailer will earn Marlboro Black SPP Plus Promotional Allowances for that Store beginning the day of such visit.

Marlboro Black SPP Plus Promotional Allowances will be paid monthly.
MARLBORO SELECT SPP

Overview
The Marlboro Select SPP is a PM USA Retail Price Promotion intended to further reduce the price of eligible Marlboro SKUs.

If Retailer selects the Marlboro Select SPP as its BEF option for a Store, the Store may select one of the following options per Promotion Period:

1. Marlboro Select SPP Smooth
2. Marlboro Select SPP Blend No. 27
3. Marlboro Select SPP Red Label

Relevant details on geography-specific rates and eligible SKUs can be found on insightsc3m.com.

Requirements
To participate, Retailer must communicate its election of the Marlboro Select SPP for a Store to its AGDC Representative no later than the Friday prior to the beginning of the Promotion Period.

A Store must also meet the following requirements:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Pass through to adult smokers no less than the full amount of the Marlboro Select SPP Promotional Allowance on eligible Marlboro SKUs, including revenue product, Product Promotions and Retailer-funded multi-pack offers, during each Promotion Period.</td>
</tr>
<tr>
<td>Interior Visibility</td>
<td>Display the lowest available price of its elected Marlboro Select SPP in the PM USA zone or the applicable area of the PM USA portion of the PCMA.</td>
</tr>
</tbody>
</table>

Payment Details
If a Store satisfies the above requirements during a Promotion Period, Retailer will earn the Marlboro Select SPP Promotional Allowance for that Store. All Marlboro Select SPP Promotional Allowances will be paid on purchases of the applicable PM USA Cigarettes, net of returns, as reported in STARS.

If a Store is not meeting the pass-through requirement at the time an AGDC Representative visits the Store, the Store may adjust its prices to satisfy the requirement before its AGDC Representative leaves. In such case, the Store will earn Marlboro Select SPP Promotional Allowances beginning the day of that visit.

The Marlboro Select SPP Promotional Allowances will be paid monthly.
MARLBORO MAINLINE MENTHOL SPP

Overview

The Marlboro Mainline Menthol SPP Option is a PM USA Retail Price Promotion, available in select states, intended to further reduce the price of eligible Marlboro Mainline Menthol SKUs.

Relevant details on geography-specific eligibility, rates, and eligible SKUs can be found on insights3c3m.com.

Requirements

To participate, Retailer must communicate its Marlboro Mainline Menthol SPP election for a Store to its AGDC Representative no later than the Friday prior to the beginning of the Promotion Period.

A Store must also meet the following requirements:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Pass through to adult smokers no less than the full amount of the Marlboro Mainline Menthol SPP Promotional Allowance on all Marlboro Mainline Menthol packs, cartons, Product Promotions, and Retailer-funded multi-pack offers during each Promotion Period.</td>
</tr>
<tr>
<td>Interior Visibility</td>
<td>Display the lowest available price on Marlboro Mainline Menthol in the PM USA signage zone or the applicable area of the PM USA portion of the PCMA.</td>
</tr>
<tr>
<td>Exterior Visibility</td>
<td>If a Store places Exterior Cigarette signs, place at least one Exterior Cigarette Sign that advertises Marlboro Mainline Menthol. No more than three PM USA Exterior Cigarette Signs may be placed at a Store at one time.</td>
</tr>
</tbody>
</table>

Payment Details

If a Store satisfies the above requirements during a Promotion Period, Retailer will earn the Marlboro Mainline Menthol SPP Promotional Allowance for that Store. All Marlboro Mainline Menthol SPP Promotional Allowances will be paid on purchases of the applicable PM USA Cigarettes, net of returns, as reported in STARS.

If a Store is not meeting the pass through requirement at the time an AGDC Representative visits the Store, the Store may adjust its prices to satisfy the requirement before its AGDC Representative leaves. In such case, the Store will earn Marlboro Mainline Menthol SPP Promotional Allowances beginning the day of that visit.

Marlboro Mainline Menthol SPPs will be paid monthly.
MARLBORO LEADERSHIP SPP

Overview

The MLSPP Option is a PM USA Retail Price Promotional Allowance, available in select states, intended to further reduce the price of Marlboro Mainline SKUs. The MLSPP Option is only available to MLP Option Stores in select geographies.

Relevant details on geography-specific availability, rates, and eligible SKUs can be found on insightsc3m.com.

Requirements

To participate, Retailer must communicate its MLSPP election for a Store to its AGDC Representative no later than the Friday prior to the beginning of the Promotion Period.

A Store must meet the following requirements:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Have a Marlboro Mainline Single Pack Price that is no higher than the MLSPP Eligibility Price designated by PM USA for the Store. To earn MLSPP Promotional Allowances, a Store must pass through to adult smokers no less than the full MLSPP Promotional Allowance from the MLSPP Eligibility Price on all Marlboro Mainline revenue packs, cartons, Retailer-funded multi-pack offers, and Product Promotions (“Qualifying MLSPP Price”).</td>
</tr>
<tr>
<td>Interior Signage</td>
<td>Place and maintain either:</td>
</tr>
<tr>
<td></td>
<td>• Interior Cigarette Sign with an area no smaller than 144 square inches that advertises Marlboro Mainline Single Pack Price in:</td>
</tr>
<tr>
<td></td>
<td>o the PM USA Signage Zone; or</td>
</tr>
<tr>
<td></td>
<td>o the Number One Interior Cigarette Sign location outside of the PM USA Signage Zone, but entirely within 48 inches of the PCMA and not in a Fixture;</td>
</tr>
<tr>
<td></td>
<td>or</td>
</tr>
<tr>
<td></td>
<td>• Interior Cigarette Sign that advertises Marlboro Mainline Single Pack Price in the PM USA Portion of the PCMA.</td>
</tr>
<tr>
<td></td>
<td>• In a Display Plan Store, an Interior Cigarette Sign must be located within 48 inches of where PM USA Cigarettes are merchandised behind the Selling Counter.</td>
</tr>
<tr>
<td>Exterior Signage</td>
<td>If a Store places Exterior Cigarette signs, place at least one Exterior Cigarette Sign that advertises the Marlboro Mainline Single Pack Price. No more than three PM USA Exterior Cigarette Signs may be placed at a Store at one time.</td>
</tr>
</tbody>
</table>

Payment Details

If a Store satisfies the requirements of the MLSPP during a Promotion Period, Retailer will earn the MLSPP Promotional Allowance and MLP funds for that Store. A Store will not earn MLP Funds and MLSPP Promotional Allowances if it fails to satisfy the MLSPP requirements. MLSPP Promotional Allowances will be paid on purchases of the applicable PM USA Cigarettes, net of returns, as reported in STARS.
If a Store is not meeting the pass-through requirement at the time an AGDC Representative visits the Store, the Store may adjust its prices to satisfy the requirement before its AGDC Representative leaves. In such case, the Store will earn MLSPP Promotional Allowances and MLP funds beginning the day of that visit.

MLSPP Promotional Allowances will be paid **monthly**.

If a Store is participating in MLSPP, the Store must pass through to adult smokers PM USA Retail Price Promotions (i.e., SPPs) on select Marlboro promoted packings (excluding Marlboro Mainline) as follows:

**Stores with a Qualifying MLSPP Price:**

1. Add the MLSPP Promotional Allowance to the MSPP (established on Marlboro Mainline); and
2. Subtract the PM USA Retail Price Promotional Allowance (i.e., SPP amount) for select Marlboro promoted packings from the result above.

**Example**

<table>
<thead>
<tr>
<th>Qualifying MLSPP Price</th>
<th>MSPP</th>
<th>MLSPP Promotional Allowance</th>
<th>SPP Amount</th>
<th>SPP Single Pack Price</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.70</td>
<td>$4.70</td>
<td>+ $0.10</td>
<td>- $1.00</td>
<td>$3.80</td>
<td>Pass MLP &amp; MLSPP Pass SPP</td>
</tr>
</tbody>
</table>

PM USA Retail Price Promotions will be measured separately from MLP and MLSPP. The Store must satisfy the communicated requirements for each PM USA Retail Price Promotion.

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**MARLBORO MULTI-PACK FUNDS OPTION**

**Overview**

The Marlboro Multi-Pack Funds Option is a PM USA-funded Promotional Allowance on two or three Marlboro revenue cigarette pack transactions (**excluding Product Promotions**).

To be eligible to participate in the Marlboro Multi-Pack Funds Option, a Store must participate in the PM USA Cigarette Scan Data Incentive.\(^1\) If the Store is not already participating in the PM USA Cigarette Scan Data Incentive, reference the Retail Reporting Requirements for additional information.

Relevant details on geography-specific rates and eligible SKUs can be found on insightsc3m.com.

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\(^1\)Participation in the All Other Manufacturers Cigarette (“AOM”) Scan Data Incentive is not required to participate in Marlboro Multi-Pack Funds Option.
**Requirements**

To participate, Retailer must communicate its Multi-Pack Option election for a Store to its AGDC Representative no later than the Friday prior to the beginning of the Promotion Period.

A Store must also meet the following requirements:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
</table>
| Pricing     | Prior to pass-through of the Marlboro Multi-Pack Funds:  
1. The Store must offer a per-pack discount on Marlboro revenue cigarettes that is no less than the highest per pack Retailer-funded discount on any non-PM USA Cigarette multi-pack offer; and  
2. The single-pack equivalent price of either a Marlboro revenue two-pack or three-pack configuration must be no higher than the MLP Price designated by PM USA for the Store.* |
| Pass Through | Satisfy the pricing requirements above and pass through no less than the full amount of the Marlboro Multi-Pack funds on all Marlboro Multi-Pack offers. |
| Interior Signage | There are two options to satisfy the signage requirement:  
1. Place and maintain an Interior Cigarette Sign in the PM USA signage zone or the number one interior cigarette sign location that advertises (i) the equivalent single pack price of the Marlboro Multi-Pack or (ii) the total discount of the Marlboro Multi-Pack offer, including any Retailer-funded discount and the PM USA Promotional Allowances, or  
2. Display, in the PM USA Portion of the PMCA, (i) the equivalent single pack price of the Marlboro Multi-Pack or (ii) the total discount of the Marlboro Multi-Pack offer described above. |

* **Stores participating in MLP II or Margin Option located in AR, CT, IA, IN, MN, MT, NE, NJ, NY, OH, PA, RI, SD, TN, WI, WV:** The single-pack equivalent price of either a Marlboro revenue two-pack or three-pack configuration must be no higher than 10 cents per pack more than the MLP Price designated by PM USA for the Store.

**Payment Details**

If a Store meets the above requirements, PM USA will pay Retailer the Marlboro Multi-Pack Promotional Allowance on all Marlboro revenue cigarettes sold as a two-pack or three-pack configuration for that Store.

AGDC will use PM USA Cigarette Scan Data to verify that the single-pack equivalent price of the two-pack or three-pack revenue configuration meets the pricing requirement designated by AGDC for that Store. If applicable, an AGDC Representative will verify that the Retailer-funded discount on a Marlboro Multi-Pack is no less than the highest offered Retailer-funded non-PM USA Cigarette multi-pack discount.

If a Store has never participated in the Marlboro Multi-Pack Option, it must successfully submit PM USA Cigarette Scan Data beginning with the STARS Week in which its Marlboro Multi-Pack offer begins, and it must continue to submit PM USA Cigarette Scan Data through the remainder of the STARS Quarter.
For each of Retailer’s participating Stores, Retailer must provide PM USA Cigarette Scan Data designating all sales of Marlboro revenue cigarettes on which it has passed through Marlboro Multi-Pack Funds. PM USA will only pay the Marlboro Multi-Pack Promotional Allowance on revenue Marlboro Multi-Pack transactions reflected in the following fields of PM USA Cigarette Scan Data: the “Multi-Pack Indicator,” “Multi-Pack Required Quantity,” and “Multi-Pack Discount Amount.” Please refer to the PM USA Retail Reporting Requirements (Exhibit K of the Agreement) for additional details.

Marlboro Multi-Pack Funds will be paid quarterly.

**LOYALTY FUND PROGRAM**

**Overview**
The Loyalty Fund Program (“LFP”)\(^1\) provides PM USA Promotional Allowances on PM USA Cigarettes purchased in connection with a Retailer Loyalty Program.

Retailer will be notified via Promotion Notice of the LFP offers available for it to choose for its Stores. LFP offers may change at the sole discretion of PM USA.

Information regarding available LFP offers will be made available in the Loyalty Fund Program Customer Presentation located on insightsc3m.com.

The Retailer is eligible to participate in LFP if the following criteria is met:
- Participate in a MPO
- Have a Retailer Loyalty Program
- Participate in the PM USA Cigarette Scan Data Incentive\(^2\)

\(^1\)LFP is not available to Stores in Massachusetts.
\(^2\)Participation in the AOM Scan Data Incentive is not required to participate in LFP.

For purposes of LFP, a Retailer Loyalty Program is a rewards program offered by Retailer to its customers, who are given a unique identifier, such as a numerical ID or membership card, and use that identifier when making purchases at its Store(s). If Retailer has questions about the types of Retailer Loyalty Programs eligible for LFP, it should contact its AGDC representative.

Participation in LFP does not impact a Store’s eligibility to participate in any BEF option.

Retailer can stop participating in LFP with respect to a Store at any time by contacting its AGDC Representative.

**Requirements**
Retailer may participate in one LFP Offer per Store during the designated LFP Offer period, as communicated by AGDC. To participate, Retailer must communicate its election to participate in LFP for a Store to its AGDC Representative. An AGDC Representative will complete the LFP registration form and send it to Retailer for execution. A Store may start its LFP Offer once it has received approval from AGDC Headquarters.
A Store must provide adult smokers no less than the full amount of the Loyalty Funds. The Store may combine multiple PM USA Promotions to lower the price of PM USA Cigarettes under its Loyalty Program to adult smokers (e.g., Loyalty Funds and Marlboro Multi-Pack funds). A Store is always free to further reduce the price of cigarettes beyond the Promotional Allowances or discounts funded by PM USA.

Retailer-funded discounts, Loyalty Funds and Marlboro Multi-Pack funds must be reported separately in PM USA Cigarette Scan Data to ensure accurate PM USA payment.

In addition to satisfying the PM USA Cigarette Scan Data Retail Reporting Requirements, Retailer must provide one of the following in the Loyalty ID/Rewards Number field:

- loyalty ID number;
- loyalty card ID number;
- unique consumer number; or
- unique consumer identifier.

Generic loyalty cards (e.g., store loyalty cards, blank loyalty cards) are not permitted. If multiple ID numbers, including alternate IDs (e.g., telephone numbers), are used for one of its Loyalty Program members, the parent account number must be reported.

Retailer should refer to the Loyalty Fund Program Customer Presentation for additional details on LFP reporting requirements and the LFP Registration process, available on www.insightsc3m.com.

If a Store is not already participating in the PM USA Cigarette Scan Data Incentive, Retailer must communicate its PM USA Cigarette Scan Data Incentive election to its AGDC Representative and submit a successful PM USA Cigarette Scan Data file prior to completing the LFP registration.

Payment Details

If a Store meets the requirements of its elected LFP Offer, PM USA will pay LFP Promotional Allowances on all eligible Marlboro revenue cigarettes sold in conjunction with its Retailer Loyalty Program during the designated LFP Offer period.

PM USA will withhold Loyalty Funds payments on transactions that do not meet the LFP requirements. Upon AGDC’s request, Retailer must provide AGDC sufficient information and documentation to verify a Store’s compliance with the requirements of the LFP.

Only an Uncapped Store is eligible to receive PM USA Promotional Allowances on cigarette volume exceeding 800 cartons per week during a Promotion Period.

Loyalty Fund payments will be paid quarterly.
AGDC SERVICE CENTER STORES

AGDC Headquarters Validation

A Store participating in MPO or a BEF Option that is serviced by the AGDC Service Center must provide all information needed to validate performance against its applicable MPO or BEF Option requirements to its AGDC Service Center Representative. Retailer must provide all information by the end of the Promotion Period via telephone or by entering such information on www.insightsc3m.com on the Price Promotion Updater.

- Retailer electing to participate in MPO must call 1-866-928-3510 to make its election by 5:00pm CST on the last Friday of the previous Promotion Period. A Store may opt-out at any time.

- For a Store electing to participate in MLP or MLP II, necessary information for validation includes retail selling prices applicable to Marlboro cigarettes.

- For a Store electing to participate in Margin Option, necessary information for validation includes retail selling prices, Retailer’s Costs and Manufacturer-Funded Promotional Allowances applicable to Marlboro, Camel, and Newport cigarettes.

- For a Store electing to participate in the Marlboro Black SPP Plus option, necessary information for validation includes retail selling prices applicable to Marlboro Black cigarettes.

- For a Store electing to participate in the Marlboro Select SPP option, necessary information for validation includes retail selling prices applicable to eligible Marlboro Select SPP cigarettes.

- For a Store electing to participate in the Marlboro Mainline Menthol SPP option, necessary information for validation includes retail selling prices applicable to Marlboro Mainline Menthol cigarettes.

- For a Store electing to participate in the MLSPP option, necessary information for validation includes retail selling prices applicable to Marlboro Mainline cigarettes.

AGDC will determine if the Store is satisfying all applicable MPO and BEF Option requirements based on the Store-provided information.

Information provided by a Store to the AGDC Service Center, including retail selling prices, is available on www.insightsc3m.com for that Store. Retailer is responsible for monitoring such information and informing the AGDC Service Center of any potential inaccuracies before the end of the Promotion Period.
RESOURCES

Online Resources

The following resources are available on www.insightsc3m.com on the Promotions page:

- Information detailing the available MPO, BEF and LFP programs;
- The MLP, MLP II, and Qualifying MLSPP Prices; and
- The 2017 election calendar for the MPO & BEF programs.

If Retailer needs assistance with accessing and navigating its www.insightsc3m.com account, please call 1-877-768-7223.

Questions

AGDC may modify or cancel any AGDC promotion at any time.

If you have any questions, please contact your AGDC Representative.

Thank you for your continued support.
“Cost” means the price a Store’s supplier charges the Store, after application of any manufacturer-funded discounts, including off-invoice allowances, as reflected on (i) a Store-supplied invoice, which must be electronically generated by the supplier or, (ii) if the Store is part of a Chain, a document generated by the Chain’s headquarters that reflects invoice cost.

“Loyalty Funds” means a PM USA Retail Price Promotional Allowance on PM USA Cigarettes offered in conjunction with a Retailer Loyalty Program.

“Loyalty Fund Program” means offers available to a Store that (i) has a Retailer Loyalty Program, (ii) participates in the PM USA Cigarette Scan Data Incentive set forth in the Agreement and (iii) participates in a Marlboro Performance Option.

“Manufacturer-Funded Promotional Allowance” means any manufacturer-funded promotional resource provided to a Store that is intended to be passed through to adult smokers and reduce the selling price of cigarettes.

“Margin” means price minus Cost, divided by price.

“Margin Option” means a Marlboro Performance Option that rewards a Store whose Margin or Penny Profits on Marlboro cigarettes is less than or equal to its Margin or Penny Profits on Camel or Newport cigarettes, whichever is lower.

“Marlboro Leadership Price Option” (“MLP Option”) or “Marlboro Leadership Price Option II” (“MLP Option II”) means the Marlboro Performance Option that rewards a Store that offers a competitive Marlboro Single Pack Price to adult smokers that is at or below the MLP or MLP II, as applicable.

“Marlboro Mainline” means all Marlboro packings, excluding Marlboro Special Blend, Marlboro 72’s, Marlboro Black and any other packing PM USA communicates is excluded.

“Marlboro Mainline Menthol” means all Marlboro Menthol packings, excluding Marlboro Special Blend, Marlboro 72’s, Marlboro Black and any other packing PM USA communicates is excluded.

“Marlboro Single Pack Price” (“MSPP”) means, in a Store that participates in MLP or MLP II, the price at which the Store sells single Marlboro packs before application of any other PM USA Retail Price Promotional Allowances.

“Maximum Non-Promoted Retail Price” means (i) a Store’s Cost for Marlboro cigarettes divided by one minus the lowest applicable Margin; or (ii) a Store’s Cost for Marlboro cigarettes, plus the Store’s lowest applicable Penny Profit for cigarettes in the relevant price segment. The Maximum Non-Promoted Retail Price is used as a base from which to determine the Maximum Promoted Retail Price in Margin Option Stores.

“Maximum Promoted Retail Price” means the Maximum Non-Promoted Retail Price of Marlboro cigarettes minus any applicable PM USA Retail Price Promotional Allowances. The Maximum Promoted

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**Appendix**

**DEFINITIONS**
Retail Price is used as the basis for determining compliance with the pricing and pass-through requirement in Margin Option Stores.

“Non-Promoted Retail Price” means, with respect to a Pack Configuration, a Store’s retail selling price of the Pack Configuration plus any applicable Manufacturer-Funded Promotional Allowances.

“Pack Configuration” means, with respect to cigarettes, a single pack, carton or multi-pack.

“Penny Profits” means the Non-Promoted Retail Price minus the Cost with the difference expressed in terms of dollars or cents per unit.

“PM USA Retail Price Promotion” means a PM USA Promotion during which a Store must reduce the Non-Promoted Price at which the Store sells specified PM USA brands or packings by no less than a specified amount in consideration of a Promotional Allowance paid to Retailer, with respect to that Store, directly by PM USA. Examples include Margin Funds, Special Price Promotions, and Choice Price Promotions.

“Qualifying MLSPP Price” means, in a Store that participates in both the MLP Option and MLSPP, an MSPP that is less than or equal to the MLSPP Eligibility Price designated by PM USA with respect to the Store, minus the full MLSPP Promotional Allowance amount.

“Qualifying MSPP” means, in a Store that participates in the MLP Option or the MLP Option II, an MSPP that is less than or equal to the MLP or MLP II designated by PM USA with respect to the Store.

“Retailer Loyalty Program” means a rewards program offered by Retailer to its customers, who are given a unique identifier, such as a numerical ID or membership card, and use that identifier when making purchases at Retailer’s Store(s).