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AT A GLANCE

This description outlines opportunities available to help you with your financial and personal needs. Each takes advantage of IRS rules that allow you to pay for certain benefits with a portion of your pay before it has been taxed. When you pay with pre-tax rather than after-tax dollars, the amount of your pay that is taxed goes down. This reduces your tax bill and you save money.

OPPORTUNITY	HOW?
Pay your child or other dependent care expenses with tax-free dollars	Dependent Care Flexible Spending Account (BCTGM only)
Pay for your share of health plan premiums with tax-free dollars	Automatically from your paycheck

Participation in these opportunities is voluntary. It is based on your election to have pre-tax contributions deducted from your pay. Because these programs provide special tax advantages to you, they are governed by rules established by the IRS. You should read this description so that you understand them. But since the tax savings available to you can be significant, we urge you to familiarize yourself with these opportunities and use them to your advantage.

INTRODUCTION TO THE DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (BCTGM and York Manufacturing Hourly Employees Only)

You can save money on your out-of-pocket dependent care expenses through the Dependent Care Flexible Spending Account. Simply by setting aside the money you expect to pay out of your own pocket for dependent care expenses during the year, you can stretch your dollars by paying for those eligible expenses with tax-free dollars from your Flexible Spending Account.

Your participation in a Dependent Care Flexible Spending Account is optional. The money contributed can only be used for eligible child or other dependent care expenses.

Key Points About The Dependent Care Flexible Spending Account

- Flexible Spending Account contributions are deducted from your pay before taxes are calculated. You pay no Federal income tax, FICA (Social Security and Medicare), state income tax and, in most cases, local income tax, on those amounts.
- Federal tax law says any money left over in a Flexible Spending Account at year-end will be forfeited – in other words, **you must use it or you lose it**. Forfeited amounts will be used to reduce administrative costs of the Plan. If you plan carefully, you minimize your risk of loss!
- Once you elect to contribute to a Flexible Spending Account for a year, you cannot change your election until the next Annual Enrollment period in the Fall of the year unless you have a qualified Change in Status, such as a spouse's job change or birth or adoption of a new child. You need to notify the Altria Group Benefits Center (the **Benefits Center**) within 60 days of the event.
- The amount you elect to contribute to a Flexible Spending Account will automatically carry forward to the following year. If you wish to change the amount of your annual contribution for the upcoming year, you need to do so during the Annual Enrollment period in the Fall of the year. You will receive information at that time from the Benefits Center.

- DCFSA Reimbursement Request Forms are available from the Benefits Center (1-800-872-3777). The Benefits Center can also answer your questions about the Flexible Spending Account.

The next section of this description explains the Dependent Care Flexible Spending Account in detail.

WHAT IS THE DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT?

The Dependent Care Flexible Spending Account ("DCFSA") allows you to set aside a portion of your wages on a pre-tax basis (before taxes are withheld). This money is held in an account in your name until you have incurred and paid an eligible dependent care expense. You will be reimbursed from the money you set aside on a pre-tax basis thus paying your dependent care expenses with before-tax dollars.

WHO IS ELIGIBLE?

If you are a regular, full-time, or seasonal hourly-paid employee of the Company represented by the BCTGM or employed at the York Manufacturing Facility you are eligible to participate in the DCFSA (provided you are otherwise eligible for a dependent care credit under Federal law). Hourly employees not represented by the BCTGM or not employed at York Manufacturing are not eligible to participate in DCFSA. If you have any questions regarding your eligibility, contact the Benefits Center.

WHEN CAN I ENROLL?

You must call the Benefits Center at 1-800-872-3777 to enroll within 60 days of your date of hire. If you choose not to enroll when you first become eligible, you cannot enroll until the following Annual Enrollment period in the Fall of the year unless you have a Change in Status event (see the "Change in Status" section).

Your initial contribution election will automatically carry forward from year to year unless you make a change. You can make a change during the Annual Enrollment period in the Fall of the year or when you have a Change in Status event (see the "Change in Status" section). You will receive information at that time from the Benefits Center.

YOUR ELIGIBLE DEPENDENTS

You can use the DCFSA to pay for your expenses to provide care for your eligible dependents so that you and your spouse can work, your spouse can look for work, or so that your spouse can attend school full-time for five or more months during the year. Eligible dependents, as defined by the IRS, include:

- Dependent children ***under age 13*** who qualify as your dependents for income tax purposes (if you are divorced or legally separated, you do not necessarily have to claim your child as your dependent on your Federal tax return); or
- Your spouse or other dependent of any age who is incapacitated (unable to care for his or her personal hygiene, nutrition or safety) or who, without care, would endanger others, and whom you claim as an exemption on your Federal income tax return.

For more information on eligible dependents you should consult with the Benefits Center.

ELIGIBLE EXPENSES

To be eligible for reimbursement from the DCFSA, your expense must be an IRS-approved dependent care expense and must be incurred during the calendar year in which you contribute to your DCFSA. If you have any question as to whether an expense is eligible for reimbursement from the DCFSA, you should consult with the Benefits Center.

You can use the DCFSA to reimburse dependent care expenses if these expenses are incurred so that you and your spouse can work, your spouse can look for work, or so that your spouse can attend school full-time for five or more months during the year.

In addition to staying within these guidelines, you will also need to provide your dependent care provider's name, address, and Social Security number or Tax Identification Number when you submit a claim.

The following are examples of IRS-approved dependent care expenses. You can use the DCFSA to reimburse dependent care expenses if these expenses are for:

- Day care centers;
- Before-school and after-school care;
- Special education schools your children require so you can be gainfully employed;
- Baby-sitter or nurse or any other dependent care services provided inside or outside your home, but not by your child under the age of 19 years, or anyone you claim as a dependent for income tax purposes;
- Nurse or care giver for an elderly relative;
- Housekeeper (if your housekeeper cares for your children as well as your house, you can use the DCFSA to pay the portion of the expense that is due to dependent care).

HOW THE DCFSA WORKS

When you enroll in the DCFSA, you decide how much you should contribute for dependent care expenses for the calendar year. This money is held in your name until you are reimbursed for a claim for an eligible dependent care expense. You will be reimbursed from the money you set aside on a pre-tax basis, thus paying your dependent care expenses with pre-tax dollars.

Because you pay for these dependent care expenses with tax-free dollars, the IRS has rules about the operation of the DCFSA. Mid-year changes to your contribution election are restricted (see the "Change in Status" section). Also, you will forfeit any unused dollars in your account that are not claimed for eligible expenses following the end of the calendar year (see the "Forfeitures" section).

Electing Your Contribution Amount

When you enroll, you decide how much you want to contribute. Each year you can contribute up to $5,000 per family. The minimum amount that may be contributed to your DCFSA annually is $1,000.

Worksheet

You can use this worksheet to help you determine, during the Annual Enrollment period, how much to contribute to the DCFSA during the next calendar year. For each expense listed, note what your bills were this year. Then estimate next year's expenses. If you are newly eligible for this Plan and enrolling mid-year, base your contribution election on your expenses remaining for the current year. Plan carefully. Once you've elected to contribute, you cannot change your election until the next Annual Enrollment in the Fall of the year unless you have a Change in Status event.

Eligible Expenses[1]	This Year Actual	Next Year Estimated
Annual child or dependent day care expenses	$	$
Annual expenses for baby-sitters (excluding family members) who are hired so that you and your spouse can work, your spouse can look for work or attend school full-time	$	$
Annual nursing expenses for disabled dependent	$	$
Other eligible dependent care expenses	$	$
Total Dependent Care Expenses (up to $5,000)	$	$

[1]Qualified expenses only. See the "Eligible Expenses" section of this description or consult with the Benefits Center.

Your Contribution Limit

The IRS prohibits you from contributing more than either your pay or your spouse's pay. If your spouse is a full-time student, his or her annual income is assumed to be $2,400 if you have one eligible dependent, or $4,800 if you have two or more eligible dependents. However, if your spouse doesn't work and does not go to school full-time, you are not eligible to make contributions to the DCFSA.

If both you and your spouse work for the Company and have dependent care accounts, your total combined contributions cannot be more than $5,000. If your spouse has a dependent care spending account with another employer, your combined contributions cannot total more than $5,000. Also, if you and your spouse file separate income tax returns, you each have a total dependent care account contribution limit of $2,500.

Possible Reduction in Allowable Contributions

The DCFSA must comply with rules established by the IRS which may require the Company to reduce the amount highly compensated employees, as defined by the IRS, can contribute to the DCFSA. For 2004, employees who earned more than $90,000 in 2003 are classified as highly compensated by the IRS. Nondiscrimination testing is done during the first quarter of each year. If your DCFSA contribution must be reduced, you will be notified. Although your contributions may be reduced, you may also continue to receive reimbursement from your DCFSA but only up to the balance in your account.

Payroll Deductions

Your contribution will be pro-rated and deducted from your paycheck according to the amount you elected during Annual Enrollment. Your contributions are deducted on a pre-tax basis, that is, before Federal and state income tax, FICA, and in most cases, local taxes have been deducted.

Using the DCFSA and having money deducted on a pre-tax basis also means you will pay less in Social Security taxes, which may slightly reduce your future Social Security benefit. However, the value of your tax savings generally outweighs any such reduction.

Change In Status

Because you contribute tax-free money to your DCFSA, IRS regulations state that once you make your contribution election, you may not change your contribution amount or election during the year unless you have an eligible Change in Status. Your election change must be on account of and correspond with a Change in Status that affects your eligibility for coverage under your DCFSA or affects your employment-related dependent care expenses.

For DCFSA purposes, an eligible Change in Status includes:

- Marriage;
- Birth/Adoption/Placement for Adoption;
- Death of a spouse/child;
- Divorce/Legal Separation and Annulment;
- Child or spouse satisfies or ceases to satisfy eligibility requirements due to attainment of age, student status or similar circumstance;
- Changes in your employment status or that of your spouse or dependent (e.g., termination or commencement of employment, strike or lockout, commencement of or return from an unpaid leave of absence, and a change in worksite);
- Change in residence of you, your spouse or dependent;
- Significant cost or coverage changes.

An eligible Change in Status also includes: a change in dependent care provider; enrollment in school which decreases the necessary hours of dependent day care; or a change in the cost of dependent care, as long as the provider who changes the cost is not a relative of the employee.

The IRS regulations permit a change in contribution amount only if it is consistent with the Change in Status. For example, you can increase your contribution if your spouse loses his or her coverage under another employer's DCFSA, but you cannot decrease your contribution.

You must contact the Benefits Center to make any contribution change due to a Change in Status within 60 days of the change. If you delay requesting a change more than 60 days past the Change in Status date, you must wait until the Annual Enrollment period in the Fall of the year to elect a different contribution amount.

Forfeitures

Before electing your annual DCFSA contribution, carefully review and consider your dependent care needs and previous expenses, because IRS regulations state that you must forfeit any money left in your account after you have been reimbursed for any eligible expenses. Expenses must be incurred by December 31 during the year in which you participate in the DCFSA. Generally, an expense is incurred when the service is provided. Reimbursement must be claimed by March 31 of the following calendar year.

You may not carry over DCFSA contributions from one year and apply them toward your next year's dependent care expenses. And, once you've made your annual contribution election, no changes can be made for that year, unless you have a Change in Status event (see "Change in Status" section). Forfeited dollars are used to offset administrative expenses of the DCFSA.

DCFSA VS. THE DEPENDENT CARE TAX CREDIT

In the past, you may have claimed a dependent care tax credit when you filed your Federal income tax return. According to tax rules, the IRS reduces the amount of dependent care expenses eligible for the tax credit on your Federal income tax return – dollar for dollar – for each dollar credited to your DCFSA. Before deciding whether or not to use the DCFSA, you should compare your DCFSA savings with your tax savings using the dependent care tax credit. IRS Publication 503, *Child and Dependent Care Expenses*, explains the child and dependent care tax credit in more detail. Free copies are available from the IRS. These tax topics are also described in the website for the IRS. You can find more information on the Internet at http://www.irs.ustreas.gov.

Generally, your tax savings will be greater using the DCFSA. However, since each situation is different, you may want to discuss with a tax advisor which method is best for you.

CLAIMING YOUR REIMBURSEMENT

To claim your reimbursement for eligible expenses from your Dependent Care Flexible Spending Account, follow the steps outlined below.

Submit a DCFSA Reimbursement Request Form along with a copy of your paid itemized statement or receipt for the dependent care services to the Benefits Center at the address below:

FBD Consulting, Inc.
P.O. Box 7957
Shawnee Mission, KS 66207-0957

Phone: 1-866-641-5158

Disbursements are made daily. Direct deposit is available. If you have prepaid in advance for services, make sure the statement you submit identifies the time period during which the care will be provided. Reimbursement will be made automatically once the services are rendered and your contributions have been deposited into your account.

Each time you file a claim for reimbursement you will receive an Explanation of Benefits (EOB) indicating your account balance before and after your claim is reimbursed. You will also receive an account statement quarterly and at the end of the calendar year.

If your claim for reimbursement is denied, in whole or in part, you will receive written or electronic notification. The notification will include the reasons for the denial, with reference to the specific provisions of the DCFSA portion of the Flexible Benefits Plan on which the denial was based, a description of any additional information needed to process the claim and an explanation of the claims review procedure. If you do not receive a response to your claim within 90 days, the claim is treated as denied. In certain circumstances, the Benefits Center may extend the 90-day period to process your claim for benefits. In this event, you will receive written notice setting forth the reason for the extension. The notice will also indicate the date by which the Benefits Center expects to make a benefit determination. Within 60 days after denial, you or your beneficiary may submit a written request for reconsideration of the application to the Plan Administrator.

Any such request should be accompanied by documents or records in support of your appeal. You or your beneficiary may review and receive copies of pertinent documents and you may submit issues and comments in writing. The Plan Administrator will review the claim taking into account all information submitted by you relating to your claim without regard to whether the information was submitted or considered in the initial benefit determination and provide, within 60 days, a written response to the appeal. (This period may be extended for an additional 60 days under certain circumstances.) In this response, the Plan Administrator will explain the reason for the decision, with specific reference to the provisions of the DCFSA portion of the Flexible Benefits Plan on which the decision is based. The notice will also include a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits and a statement describing any voluntary appeal procedure offered by the Plan and your right to obtain the information about those procedures. The Plan Administrator has the exclusive right to interpret the appropriate Plan provisions. Decisions of the Plan Administrator are conclusive and binding.

All claims for expenses incurred on or before December 31 must be filed by March 31 of the following calendar year. Any money that was contributed in the prior calendar year remaining in your account after March 31 will be forfeited.

PARTICIPATION IF YOU LEAVE THE COMPANY

Your participation in the DCFSA will end on your termination date. You can continue to submit for reimbursement eligible expenses incurred through your termination date. All claims must be filed by March 31 of the following year.

PRE-TAX HEALTH CARE PREMIUM PAYMENT

If you enroll your eligible dependents in one of the medical, dental, or vision plans that the Company makes available to you, you may pay a portion of the cost associated with coverage.

Your share of the cost is automatically deducted from your pay on a pre-tax basis. This reduces your taxable income and increases your take-home pay when compared to contributing on an after-tax basis. If you prefer to have your contribution deducted from your pay after taxes have been taken out, you must advise the Benefits Center at the time you enroll or during the Annual Enrollment period in the Fall of the year for the subsequent calendar year.

GENERAL INFORMATION

This is a description of the Flexible Benefits Plan for Hourly Employees and is the summary plan description for the Dependent Care Flexible Spending Account portion of the Plan. It describes the highlights of this benefit as well as the other benefits available under the Plan and does not cover all the details.

Benefits are provided, in part, through an administrative services only agreement with Fidelity Employer Services Company of Boston, MA. The actual provisions of the Plan and the service agreement will govern in settling any questions that may arise. These documents are on file in your Human Resources or Employee Relations Department. To protect your own best interests, you should contact that Department if you have any questions about the Plan.

Plan Name

The official name of the Plan is the Flexible Benefits Plan for Hourly Employees.

Plan Identification

The Plan is identified by the following numbers:

Employer Identification Number: 13-1607658

Plan Number: 526

Employer and Plan Administrator

The employer and sponsor is Philip Morris USA Inc., P.O. Box 26603, Richmond, Virginia 23261; telephone number (804) 274-2000.

The Plan is administered by the Philip Morris USA Inc. Management Committee for Employee Benefits (MCEB), c/o Philip Morris USA Inc., Attn: Benefits Department, P.O. Box 26603, Richmond, Virginia 23261; telephone (804) 274-2000; Identification Number 13-1607658. The members of the MCEB are appointed by the Board of Directors of the Company.

The Senior Vice President of Human Resources is the Administrator of the Plan and is charged with managing the day to day operations of the Plan and deciding all questions that come before him in a fair and equitable manner for all Plan participants and their beneficiaries.

Plan Year

The Plan and all of its records are kept on a calendar year basis, beginning on January 1 and ending on December 31 of each year.

Plan Financing

The Plan is funded through wage reduction agreements entered into by the participants and the Company.

Plan Continuance

The Company hopes and expects to continue this Plan indefinitely, but necessarily reserves the right to change or terminate the Plan in whole or in part at any time. Any decision to change or terminate the Plan requires approval of the MCEB.

Agent for Service of Legal Process

The person designated as agent for service of legal process is the Secretary, Philip Morris USA Inc. Management Committee for Employee Benefits, Attn: Benefits Department, P.O. Box 26603, Richmond, Virginia 23261.

Collective Bargaining Agreements

This Plan is maintained pursuant to one or more collective bargaining agreements with respect to certain hourly-paid employees who are covered under the Plan. A copy of each agreement may be obtained by writing to the Plan Administrator, c/o your Labor Relations Department. These agreements are also available for examination in that Department.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator by calling the Benefits Center at 1-800-872-3777.

ELIGIBLE CATEGORIES OF EMPLOYEES

The Flexible Benefits Plan for Hourly Employees covers full-time and seasonal hourly-paid employees in the following categories who meet the eligibility requirements described in this booklet. (Note: Only employees represented by BCTGM and York Manufacturing hourly employees are eligible to participate in the DCFSA portion of this Plan.)

This booklet describes Plan benefits for York Manufacturing Hourly Employees, Williamsburg, Virginia and employees represented by the following unions:

Bakery, Confectionery, Tobacco Workers and Grain Millers International Union

Philip Morris USA Inc. Coordinated Craft Unions:

- International Association of Machinists and Aerospace Workers Lodge No. 10
- International Association of Machinists and Aerospace Workers Local Lodge No. 108
- International Association of Machinists and Aerospace Workers Local No. 681
- United Association of Journeyman Pipefitters Local No. 522
- United Association of Journeyman Plumbers Local No. 107
- International Brotherhood of Electrical Workers Local No. 369
- International Brotherhood of Firemen and Oilers Local No. 320
- Sheet Metal Workers Local No. 110
- Kentucky State District Council of Carpenters Local No. 64

March 2004