UST INC
Form DEF 14A
March 24, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12.

UST INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 24, 2008

6 High Ridge Park
Building A
Stamford, Connecticut 06905

To the Stockholders of UST Inc.:

The 2008 Annual Meeting of Stockholders of UST Inc. (the Company) will be held at the Holiday Inn Downtown Stamford, 700 East Main Street, Stamford, Connecticut, on Tuesday, May 6, 2008, at 10:00 a.m., Eastern Daylight Savings Time, for the following purposes:

(1) to elect nine directors to serve for terms of one year each, expiring at the next Annual Meeting, or until their respective successors are duly elected and qualified;

(2) to ratify the appointment of independent auditors of the accounts of the Company for the year 2008;

(3) to consider and act upon two stockholder proposals, if presented by their proponents, relating to the calling of special meetings by stockholders and health care reform principles; and

(4) to consider and act upon such other business as may properly come before the meeting.

Stockholders of record as of the close of business on March 10, 2008 will be entitled to vote at the meeting. The approximate date of sending this Proxy Statement, or first making it available to stockholders, is on or about March 24, 2008. A list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relevant to the meeting, on and after April 25, 2008, during normal business hours at the Company s principal executive offices located at the above address.

You are urged to vote your proxy promptly whether or not you plan to attend the meeting in person. You can vote your shares electronically through the Internet, by toll-free telephone call, ballot or proxy card. The Company s transfer agent, which is tabulating votes cast at the meeting, will count the last vote received from a stockholder, whether by telephone, proxy, ballot or electronically through the Internet. Please note all votes cast via telephone or the Internet must be cast prior to 2:00 a.m., Eastern Daylight Savings Time, on Tuesday, May 6, 2008.

RICHARD A. KOHLBERGER
Senior Vice President, General Counsel, Secretary,
and Chief Administrative Officer

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6 High Ridge Park
Building A
Stamford, Connecticut 06905

PROXY STATEMENT

Proxies and Voting Information

Solicitation of Proxy

The enclosed proxy is solicited by the Board of Directors (the Board) of UST Inc. (the Company) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on May 6, 2008, including any adjournment thereof. Whether or not you plan to attend the Annual Meeting, the Board respectfully requests the privilege of voting on your behalf and urges you to either sign, date and return the enclosed proxy or vote your shares via telephone or the Internet. By doing so you will, unless such proxy is subsequently revoked by you, authorize the persons named therein, or any of them, to act on your behalf at the Annual Meeting.

Any stockholder who submits a proxy may revoke it by giving a written notice of revocation to the Secretary or, before the proxy is voted, by submitting a duly executed proxy bearing a later date. The Company s transfer agent, which is tabulating votes cast at the Annual Meeting, will count the last vote received from each stockholder, whether by telephone, proxy, ballot or electronically through the Internet.

As of the close of business on March 10, 2008, the record date for the Annual Meeting, the outstanding stock of the Company entitled to vote consisted of 149,196,608 shares of common stock (Common Stock). Each share of Common Stock is entitled to one vote.

Appearance at the Annual Meeting in person or by proxy of the holders of Common Stock entitled to cast at least 74,598,304 votes is required for a quorum.

Attendance and Procedures at Annual Meeting

Attendance at the Annual Meeting will be limited to stockholders of record, beneficial owners of Common Stock entitled to vote at the meeting having evidence of ownership, a duly appointed proxy holder with the right to vote on behalf of an absent stockholder (one proxy holder per absent stockholder) and invited guests of the Company. Any person claiming to be the proxy holder of an absent stockholder must, upon request, produce written evidence of such authorization. **If your shares are held in the name of a broker, bank or other nominee, and you wish to attend the Annual Meeting, you must bring with you a proxy or letter from the broker, bank or other nominee as evidence of your beneficial ownership of the shares.** Management requires all signs, banners, placards, cameras and recording equipment to be left outside the meeting room.

Actions to be Taken at Annual Meeting

1. Nine directors will be elected to serve for terms of one year each, expiring at the next Annual Meeting, or until their respective successors are elected and qualified.

2. A resolution will be offered to ratify the appointment of independent auditors of the accounts of the Company for the year 2008.

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3. Two resolutions relating to the calling of special meetings by stockholders and health care reform principles that the Company has been advised will be proposed by stockholders will be acted upon, if presented by their proponents, at the meeting.

Your authorized proxies will vote **FOR** the election of the individuals herein nominated for directors, **FOR** the resolution regarding the auditors, and **AGAINST** the stockholder proposals relating to the calling of special meetings by stockholders and health care reform principles, unless you designate otherwise. A proxy designating how it should be voted will be voted accordingly. If you hold your shares through a broker or other nominee and you do not provide instructions on how to vote, your broker or other nominee may have authority to vote your shares on certain matters.

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Proposal No. 1

Election of Directors

The Board currently consists of nine members. Each of the current directors was elected by the stockholders at the Annual Meeting of Stockholders in 2007, except for Lawrence J. Ruisi, who was appointed to the Board effective January 1, 2008, and is standing for election for the first time.

Directors are elected by a plurality of votes cast. Plurality means that the nominees who receive the largest number of votes cast For are elected as directors, up to the maximum number of directors to be chosen at the Annual Meeting. Consequently, any shares not voted For a particular nominee as a result of a direction to withhold or broker non-vote will not affect the outcome of the vote. Your proxy, unless otherwise marked, will be voted for the nominees further described below. In the event that any nominee is not available for election at the time of the Annual Meeting or any adjournment thereof, an event which is not anticipated, your proxy may be voted for a substitute nominee and will be voted for the other nominees named below. The Company currently intends to take steps to adopt a majority vote standard for the election of directors in uncontested situations in the coming year.

Upon recommendation of the Nominating & Corporate Governance Committee, the Board has nominated the following nine current members of the Board to serve for a term of one year each to expire at the 2009 Annual Meeting of Stockholders, or until their respective successors are elected and qualified: John D. Barr, John P. Clancey, Patricia Diaz Dennis, Joseph E. Heid, Murray S. Kessler, Peter J. Neff, Andrew J. Parsons, Ronald J. Rossi and Lawrence J. Ruisi.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE FOLLOWING NOMINEES (Proposal No. 1).

The Nominees

Set forth below is certain information on each of the nominees, including the number of shares of Common Stock beneficially owned by such nominee as of December 31, 2007.

Nominees For Director
John D. Barr
Age 60
Shares beneficially owned:
Outstanding shares 11,680
Shares pledged as security or collateral 0
Shares subject to options 2,785
Present term expires in 2008
Director since 2003

Mr. Barr has served as Vice Chairman of the Board of Directors of Papa Murphy s International, Inc. since June 2004 and as its Chief Executive Officer since April 2005. He served as a director of Performance Logistics Group, Inc. until December 2006, and from March 2004 to September 2005 he served as its Chairman. From 1999 to April 2004, Mr. Barr served as President and Chief Executive Officer of Automotive Performance Industries. He also serves as a director of Penske Auto Group and Clean Harbors Inc.

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Nominees For Director

John P. Clancey
Age 63
Shares beneficially owned:
Outstanding shares 27,982
Shares pledged as security or collateral 0
Shares subject to options 10,285
Present term expires in 2008
Director since 1997

Mr. Clancey has served as Chairman of Maersk Inc. since December 1999. He served as President and Chief Executive Officer of Sea-Land Service, Inc. from July 1991 to December 1999.

Patricia Diaz Dennis
Age 61
Shares beneficially owned:
Outstanding shares 13,280
Shares pledged as security or collateral 0
Shares subject to options 4,285
Present term expires in 2008
Director since 2001

Ms. Diaz Dennis has served as Senior Vice President and Assistant General Counsel for AT&T Services, Inc., a subsidiary of AT&T Inc. (formerly SBC Communications Inc. (SBC)) since November 18, 2005. Effective May 2, 2007, her responsibilities include oversight of AT&T corporate litigation and legal matters related to procurement, corporate real estate, environmental and corporate compliance. Previously, she was responsible for labor and employment matters and Sterling Commerce legal matters for AT&T. She has served in various executive positions for SBC and its affiliated companies, including, Senior Vice President and Assistant General Counsel of SBC Services, Inc. from August 2004 to November 17, 2005; and Senior Vice President, General Counsel and Secretary of SBC West from May 2002 to August 2004.

Joseph E. Heid
Age 61
Shares beneficially owned:
Outstanding shares 17,367
Shares pledged as security or collateral 0
Shares subject to options 1,285
Present term expires in 2008
Director since 2003

Mr. Heid served as Chairman, President and Chief Executive Officer of Esprit de Corp.

from December 1999 to July 2002. From November 1997 to November 1999, he served as President of Revlon International. He previously served as Senior Vice President of Sara Lee Corporation. Mr. Heid is a certified public accountant.

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Nominees For Director

Murray S. Kessler
Age 48
Shares beneficially owned:
Outstanding shares 236,925
Shares pledged as security or collateral 18,100
Shares subject to options 381,600
Present term expires in 2008
Director since 2005

Mr. Kessler has served as Chairman of the Board since January 1, 2008 and has served as President and Chief Executive Officer of the Company since January 1, 2007. He served as President and Chief Operating Officer of the Company from November 3, 2005 to December 31, 2006. Mr. Kessler served as President of U.S. Smokeless Tobacco Company from April 6, 2000 to November 2, 2005.

Peter J. Neff
Age 69
Shares beneficially owned:
Outstanding shares 16,151
Shares pledged as security or collateral 0
Shares subject to options 5,785
Present term expires in 2008
Director since 1997

Mr. Neff served as President and Chief Executive Officer of Rhône-Poulenc, Inc., the U.S. subsidiary of Rhône-Poulenc, S.A. from 1991 to 1996.

Andrew J. Parsons
Age 64
Shares beneficially owned:
Outstanding shares 10,022
Shares pledged as security or collateral 0
Shares subject to options 0
Present term expires in 2008
Director since 2005

Mr. Parsons served as a Director and Senior Partner of McKinsey & Company where he was employed from 1976 to December 2000. He served as a member of the McKinsey Advisory Council from 2001 to 2004, and is currently a Director Emeritus. Prior to joining McKinsey & Company, Mr. Parsons served in various management positions with Prestige Group Ltd., a division of American Home Products Corporation, now known as Wyeth. He also serves as a director of AT Cross Company and as a director of several private companies and not-for-profit organizations, including the United Way.

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Nominees For Director

Ronald J. Rossi
Age 68
Shares beneficially owned:
Outstanding shares 23,441
Shares pledged as security or collateral 0
Shares subject to options 1,285
Present term expires in 2008
Director since 2004

Mr. Rossi served as Chairman of the Board of Lojack Corporation (Lojack) from May 2001 to May 31, 2006. From November 2000 to December 2004, he also served as Chief Executive Officer of Lojack. Mr. Rossi previously served as President of Oral-B Laboratories, Inc., a subsidiary of The Gillette Company, from 1998 to 2000. Mr. Rossi also serves on the Board of Directors of Mentor Corporation.

Lawrence J. Ruisi
Age 59
Shares beneficially owned:
Outstanding shares 0
Shares pledged as security or collateral 0
Shares subject to options 0
Present term expires in 2008
Director since 2008

Mr. Ruisi served as President and Chief Executive Officer of Loews Cineplex Entertainment Corp. (Loews) from 1998 to 2002. Prior to joining Loews, Mr. Ruisi served as Executive Vice President of Sony Pictures Entertainment from 1990 to 1998, and from 1994 to 1998 he served as President of Sony Retail Entertainment. He also serves as a director of Hughes Communications, Inc. and Innkeepers USA.

As of December 31, 2007, all directors and executive officers as a group beneficially owned 906,170 shares of Common Stock and had exercisable options to acquire 998,210 shares of Common Stock, which together represented in the aggregate approximately 1.2 percent of the outstanding Common Stock including options held by all such persons. No executive officer or director beneficially owned more than 1 percent of the aggregate amount of the outstanding Common Stock including options held by the respective person.

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CORPORATE GOVERNANCE AND DIRECTOR INDEPENDENCE

Corporate Governance Guidelines

The corporate governance listing standards of the New York Stock Exchange (the NYSE rules) require that the Board be comprised of a majority of independent directors. The federal securities laws and the rules promulgated thereunder by the United States Securities and Exchange Commission (the SEC) and the NYSE rules, taken together, require that the Audit Committee, the Nominating & Corporate Governance Committee and the Compensation Committee each be comprised solely of independent directors.

To ensure compliance with these requirements each year, the Board, acting through the Nominating & Corporate Governance Committee, reviews the relationships that each director has with the Company based primarily on a review of the questionnaires completed by the directors regarding employment and compensation history, affiliations and family and other relationships and on discussions with the directors. Only those directors whom the Board affirmatively determines have no material relationship with the Company may, under the NYSE rules, qualify as independent directors. To assist in the review process, the Board has established standards concerning relationships that, absent special circumstances, would not be deemed material and thereby cause a director not to be considered independent. These standards are set forth below and in UST Inc. s Corporate Governance Guidelines which are available on the Company s website at www.ustinc.com under the heading Investors/Corporate Governance/Corporate Governance Guidelines. A printed copy of the Company s Corporate Governance Guidelines is also available to stockholders free of charge upon oral or written request, addressed to the Secretary at UST Inc., 6 High Ridge Park, Building A, Stamford, Connecticut 06905.

The independence standards, as set forth in the Company s Corporate Governance Guidelines, provide as follows:

A substantial majority of the Board shall, at all times, be directors who qualify as independent directors (Independent Directors) under the NYSE rules in effect from time to time.

Annually, the Nominating & Corporate Governance Committee shall review and report to the Board on (i) whether any director, other than management directors, has any relationship, which, in the opinion of the Nominating & Corporate Governance Committee is material (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) or (ii) would otherwise cause such person not to qualify as an independent director under the NYSE rules and, in the case of members of the Audit Committee, the Sarbanes-Oxley Act of 2002.

To facilitate the Nominating & Corporate Governance Committee s review, the Nominating & Corporate Governance Committee has identified certain relationships, which, absent special circumstances, would not be deemed to be material and, as such, not interfere with a director s qualifying as an independent director. Such relationships include:

being a person who is a current employee, or whose immediate family member (as defined in the rules of the NYSE) is a current executive officer of a Company that, during the current year or in the past three fiscal years, makes (or expects to make) payments to, or receives (or expects to receive) payments from, the Company for property or services in an amount which, in any single fiscal year, does not exceed (and, in the current year, is not expected to exceed) the greater of $1 million, or 1 percent of such other Company s consolidated gross revenues;

being a person whose immediate family member has received in the past three years, or, with respect to the current year is expected to receive, direct compensation from the Company, provided that the amount of such direct compensation received by such immediate family member did not during any 12-month period in the preceding three years, and is not expected to during any 12-month period in the future, exceed $100,000;

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being a person who was affiliated with or employed by, or whose immediate family member was affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company, provided that (i) neither such person nor any immediate family member of such person is a current partner of the Company s internal or external auditor; (ii) such person is not a current employee of such a firm; (iii) no immediate family member of such person is a current employee of such a firm, participating in the firm s audit, assurance or tax compliance (but not tax planning) practices; and (iv) neither such person nor any immediate family member of such a person, as an employee or partner of such firm, personally did work on the Company s audit within the last three years.

being a person who was employed, or whose immediate family member was employed, as an executive officer of another organization where any of the Company s present executives served at the same time on that organization s compensation committee, provided that at least three years have passed since the time such contemporaneous compensation committee service and employment relationship last occurred;

being a person who was a director or an executive officer of a charitable organization to which the Company has made a contribution, provided that contributions to such organization by the Company, in any single fiscal year during the preceding three fiscal years, did not, and are not expected in the current fiscal year to, exceed the greater of $100,000, or 1 percent of such charitable organization s consolidated gross revenues; and

being a member of a law firm, or a partner or executive officer of any investment banking firm which has provided, or is providing, services to the Company, provided that the person is not a member of the Audit Committee and the fees paid, or expected to be paid, for services in each of the prior three fiscal years and anticipated for the current fiscal year are less than 1 percent of that firm s gross revenues for the applicable fiscal year.

To the extent that any such relationship exists in which the thresholds described above are exceeded, the Nominating & Corporate Governance Committee shall review the independence of such director in light of all relevant facts and circumstances, including the NYSE rules. Any determination made by the Nominating & Corporate Governance Committee with respect to the independence of such director, including a description of any such relationship, shall be disclosed in the Company s annual proxy statement.

Director Independence

In light of the foregoing, the Nominating & Corporate Governance Committee has reviewed, on behalf of the Board, the independence of all directors and has determined, based on the information provided to it by the directors, that, as of the Annual Meeting, all directors other than Mr. Kessler, the Company s Chairman of the Board and Chief Executive Officer, will qualify as independent directors under the NYSE rules, and that, as of the Annual Meeting, each member of the Audit Committee, the Nominating & Corporate Governance Committee and the Compensation Committee will also satisfy any additional independence requirements applicable, under the federal securities laws and the NYSE rules, to members of such committees.

Director Nomination Procedures

It is the Company s desire to select individuals for nomination to the Board who are the most highly qualified and who, if elected, will enhance the Board s ability to oversee and direct, in an effective manner, the business of the Company and to best serve the general interests of the Company and its stockholders. In its assessment of potential nominees, the Nominating & Corporate Governance Committee will consider whether any such nominee:

Meets New York Stock Exchange independence criteria;

Reflects highest personal and professional ethics and integrity;

Has relevant educational background;

Has demonstrated effectiveness and possesses sound judgment;

Has qualifications to serve on appropriate Board committees;

Has experience relevant to the business needs and objectives of the Company;

Has the ability to make independent and analytical judgments;

Has adequate time to devote to Board responsibilities; and

Has effective communication skills.

Such matters will be considered in light of the then current diversity and overall composition of the Board.

The Nominating & Corporate Governance Committee believes that the minimum qualifications for serving as a director of the Company are that a nominee reflects the highest personal and professional ethics and integrity, has the ability to make independent and analytical judgments and has adequate time to devote to Board responsibilities. In addition, the Nominating & Corporate Governance Committee examines a candidate s specific experience and skills, potential conflicts of interest and independence from management and the Company.

The Nominating & Corporate Governance Committee identifies potential nominees through referrals by current directors and executive officers and also from search firms specializing in identifying director candidates whose services have been retained by the Committee. The Nominating & Corporate Governance Committee presently has on retainer the firm of Canny, Bowen Inc. to assist it in identifying potential candidates. The Committee will consider candidates from other sources, including, as described below, from stockholders.

Once an individual has been proposed for consideration to the Nominating & Corporate Governance Committee as a possible candidate, the Nominating & Corporate Governance Committee reviews the person s background and qualifications, as well as the needs and the then current composition of the Board. If the Nominating & Corporate Governance Committee determines that the proposed candidate warrants further consideration, a meeting may be arranged with the proposed candidate and the chair and/or other members of the Nominating & Corporate Governance Committee.

The Nominating & Corporate Governance Committee will consider and evaluate candidates suggested in a timely manner by stockholders, taking into account the qualities of any individual so suggested and the vacancies and needs of the Board. To enable the Nominating & Corporate Governance Committee to consider and evaluate properly any such candidate prior to the next Annual Meeting, the Secretary should receive, no later than November 24, 2008, the following information:

The name, business address and curriculum vitae of any proposed candidate;

A description of what would make such person an effective addition to the Board;

A description of any relationships or circumstances that could affect such person s qualifying as an independent director;

A confirmation of such person s willingness to serve as a director;

Any information about such person that would, under the federal proxy rules, be required to be included in the Company s proxy statement if such person were a nominee, including, without limitation, the number of shares of Common Stock beneficially owned by such person; and

The name, address and telephone number of the stockholder submitting the recommendation, as well as the number of shares of Common Stock beneficially owned by such stockholder and a description of any relationship between the proposed candidate and the stockholder submitting his or her name.

All such proposed candidates shall be reviewed and evaluated in accordance with the selection criteria discussed above. The Nominating & Corporate Governance Committee s evaluation process does not vary based on whether or not a proposed candidate is recommended by a stockholder.

Communications with Directors

The Board has established a process to receive communications from stockholders and other interested parties. Stockholders and other interested parties may contact any member (or all members) of the Board including, without limitation, the director who presides at executive sessions of the Board or the non-management directors as a group, any Board committee or any chair of any such committee, by mail. To communicate with directors, correspondence should be addressed to the Board of Directors or any such individual directors or group or committee of directors, by either name or title. All such correspondence should be sent c/o Secretary at UST Inc., 6 High Ridge Park, Building A, Stamford, Connecticut 06905.

A copy of all such communications will be provided, as appropriate, to any member (or all members) of the Board, including, without limitation, the director who presides at executive sessions of the Board, the non-management directors as a group, any Board committee or any chair of any such committee, if the address label of the communication is so addressed. Communications, as appropriate, may be reviewed initially by the General Counsel s office or by the Secretary, who shall report on the status thereof to the Board of Directors, the Audit Committee or, as appropriate, other directors. The Company reserves the right not to forward to the directors any material received in the nature of advertising or promotions of a product or service, or that otherwise constitutes patently offensive material.

Code of Ethics

The Company has adopted a Code of Ethics for Senior Officers (the Code) that applies to its principal executive officer, principal financial officer and principal accounting officer (Controller). The Code is available on the Company s website at www.ustinc.com under the heading Investors/Corporate Governance/Codes of Conduct. A free copy of the Code will be made available to any stockholder upon oral or written request addressed to the Secretary at UST Inc., 6 High Ridge Park, Building A, Stamford, Connecticut 06905. The Company will post promptly on its website any amendment to the Code or waiver of a provision thereunder, rather than filing with the SEC any such amendment or waiver as part of a Current Report on Form 8-K. The Company has also adopted a Directors Code of Responsibility and a Code of Corporate Responsibility applicable to all employees. These codes are also posted on the Company s website and are similarly available from the Company.

Policy Regarding Stockholder Rights Plans

The Board has adopted a policy which provides that the Company will not adopt a stockholder rights plan without first submitting such a plan to a vote of the Company s stockholders, subject to limited exceptions as set forth in the policy. A copy of this policy is available on the Company s website at www.ustinc.com under the heading Investors/Corporate Governance/Rights Plan Policy.

MEETINGS AND COMMITTEES OF THE BOARD

Board Meetings; Annual Meeting Attendance

The Board held 12 meetings during 2007. No director attended fewer than 75 percent of the meetings held, including meetings held by all committees of the Board on which such director served. Absent unusual or extraordinary circumstances, each director is expected to attend the Company s Annual Meeting of Stockholders. All members of the Board were in attendance at the 2007 Annual Meeting of Stockholders.

Executive Sessions

The non-management directors of the Company meet in executive sessions without management on a regular basis. The chair of the Nominating & Corporate Governance Committee presides at such executive sessions (the Presiding Director). In the absence of the Presiding Director, the non-management directors will designate another person to preside over such executive sessions.

Committees of the Board

The Board has four standing committees to facilitate and assist it in executing its responsibilities. The Committees are the Audit Committee, the Compensation Committee, the Nominating & Corporate Governance Committee and the Strategic Review Committee.

Audit Committee

The Audit Committee, which met 12 times during 2007, is comprised of the following directors: Joseph E. Heid Chairman, Patricia Diaz Dennis, Andrew J. Parsons, Ronald J. Rossi and, since January 1, 2008, Lawrence J. Ruisi, each of whom is an independent director under the NYSE rules, as currently in effect. The Board has determined that all members of the Audit Committee are financially literate pursuant to the NYSE rules. The Board has also determined that Mr. Heid, Chairman of the Audit Committee, Mr. Rossi and Mr. Ruisi qualify as audit committee financial experts in accordance with the rules of the SEC. The Board has adopted a charter for the Audit Committee. As specified in its charter, the responsibilities of the Audit Committee include, among other things, the following:

Assisting the Board with oversight of the integrity of the Company s financial statements, financial reporting processes and related systems of internal accounting and financial controls, the Company s compliance with legal and regulatory requirements, the independent auditor s independence, qualifications and performance, and the performance of the Company s internal audit function;

Engaging, on an annual basis, the Company s independent auditor;

Approving, on an annual basis, the scope and fees of the independent auditor s audit;

Reviewing and pre-approving the independent auditor s permitted non-audit services and related fees, including considering whether such services are compatible with the independent auditor s independence;

Reviewing, on an annual basis, the effectiveness of the Company s internal audit function, the proposed plan of internal audit coverage and ensuring that such plan is properly coordinated with the independent auditor;

Reviewing significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting and any changes that occur with respect to such internal controls;

Reviewing procedures employed by management to monitor compliance with the Company s Code of Corporate Responsibility;

Overseeing management s efforts to identify and manage risks affecting the enterprise; and

Administering the Company s Policy and Procedures with respect to Related Person Transactions.

The Audit Committee has the authority to institute special investigations and to retain outside advisors as it deems necessary in order to carry out its responsibilities. The Report of the Audit Committee appears on page 51 of this proxy statement.

Compensation Committee

The Compensation Committee, which met nine times during 2007, is comprised of the following directors: Peter J. Neff Chairman, John D. Barr, John P. Clancey, Ronald J. Rossi and, since January 1, 2008, Lawrence J. Ruisi, each of whom is an independent director under the NYSE rules, as currently in effect. The Board has adopted a charter for the Compensation Committee. As specified in its charter, the responsibilities of the Compensation Committee include, among other things, the following:

Reviewing and approving, as appropriate, the broad compensation programs of the Company with respect to its officers, including all executive officers, and the various components of total compensation of the executive officers;

Establishing financial and individual performance objectives for the Chief Executive Officer and other executive officers cash and equity-based incentives and evaluating the Chief Executive Officer s performance in light of those performance objectives;

Making recommendations to the Board regarding directors and officers compensation;

Performing settlor functions with respect to employee benefit plans and programs of the Company and its subsidiaries; and

Administering the Company s equity-based plans and considering and approving all awards thereunder.

The Compensation Committee has the authority to retain such outside advisors as it deems necessary in order to carry out its responsibilities.

The Compensation Committee evaluates the Company s compensation plans and policies against current and emerging compensation practices, legal and regulatory developments and corporate governance trends. This review provides assurances that the Company s compensation programs will continue to assist in attracting and retaining the talent necessary to promote strong, long-term financial performance and stockholder returns. The Compensation Committee is assisted in its review of compensation plans and policies by an independent consulting firm, Frederick W. Cook & Co., Inc. (the Cook Firm). The Compensation Committee has directly engaged the Cook Firm since 2002. The Cook Firm is responsible solely to the Committee and its chair and does no work for the Company s management independent of its work for the Committee. During 2007, the Committee also retained the services of the law firm Paul, Hastings, Janofsky & Walker LLP for legal advice related to employment agreements entered into by the

Company.

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The Compensation Committee generally meets before each Board meeting, or at the call of its chair. The Committee has full authority to decide the compensation, benefit and related aspects of employment for each of the Company s officers. However, its decisions on the Chairman s and Chief Executive Officer s compensation are reviewed with the full Board, generally in executive session, and are subject to the Board s ratification.

Management prepares recommendations for the Compensation Committee s consideration in all decision areas that come before it, including pay recommendations for individual executive officers. Management recommendations are reviewed in advance with the Cook Firm, as directed by the Compensation Committee, which provides independent advice to the Compensation Committee. The Cook Firm is charged with reviewing management s recommendations and developing compensation recommendations for the Chairman and the Chief Executive Officer independent of management. The Cook Firm s recommendations generally come directly to the Compensation Committee without the prior knowledge or consent of the Chairman or Chief Executive Officer.

The Compensation Committee also is responsible for reviewing the pay of the Company s non-management directors, and recommending changes to the full Board. To help the Compensation Committee in this regard, the Company s Human Resources staff provides comparative analyses and recommendations, which are reviewed with the Cook Firm. The Chairman and the Chief Executive Officer have no role in recommending or approving the Company s non-management directors compensation program.

None of the Compensation Committee s responsibilities for determining the compensation of the Company s executive officers or other non-management directors has been delegated to other persons. Authority to make amendments to or to suspend or terminate any of the Company s broad-based health and welfare and pension plans has, however, been delegated to the Chief Executive Officer by the Compensation Committee, provided that the annual cost of such amendments does not exceed $7,000,000.

The Compensation Discussion and Analysis and Compensation Committee Report appear on pages 16 to 28 of this proxy statement.

Compensation Committee Interlocks and Insider Participation

Messrs. Barr, Clancey, Neff and Rossi served as members of the Compensation Committee in fiscal year 2007 and Mr. Ruisi served as a member of the Compensation Committee from January 1, 2008 to date. None of such committee members (i) was, during fiscal year 2007, an officer or employee of the Company or any of its subsidiaries, (ii) was formerly an officer of the Company or any of its subsidiaries or (iii) had any relationship requiring disclosure by the Company pursuant to any paragraph of Item 404 of Regulation S-K promulgated by the SEC. No executive officer of the Company served as an executive officer, director or member of a compensation committee of any other entity of which an executive officer or director of such entity is a member of the Compensation Committee of the Company or the Company s Board of Directors.

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee, which met nine times during 2007, is comprised of the following directors: John P. Clancey Chairman, Patricia Diaz Dennis, Joseph E. Heid, Andrew J. Parsons and Ronald J. Rossi, each of whom is an independent director under the NYSE rules, as currently in effect. The Board has adopted a charter for the Nominating & Corporate Governance Committee. As specified in its charter, the responsibilities of the Nominating & Corporate Governance Committee include, among other things, the following:

Identifying and recommending to the Board individuals qualified to serve as directors of the Company;

Recommending to the Board directors to serve on committees of the Board;

Advising the Board with respect to matters of Board composition and procedures;

Reviewing and making recommendations to the Board with respect to the Company s corporate governance guidelines;

Overseeing the succession plans for the Chief Executive Officer and other senior officer positions;

Overseeing the annual review of the performance of the Board and each committee thereof; and

Advising the Board generally on corporate governance matters.

Strategic Review Committee

The Strategic Review Committee met five times during 2007 and is comprised of the following directors: Murray S. Kessler Chairman, John P. Clancey, Joseph E. Heid, Peter J. Neff and Andrew J. Parsons. The Strategic Review Committee has oversight responsibility for significant financial matters of the Company and appoints the fiduciaries responsible for the oversight of the Company s retirement plans and funded health and welfare benefit plans. The Board has adopted a charter for the Strategic Review Committee. As specified in its charter, the responsibilities of the Strategic Review Committee include, among other things, reviewing the Company s cash position, capital structure, operating and financial strategies, mergers, acquisitions or divestitures, reviewing and making recommendations to the Board with respect to the Company s dividend policy, appointing fiduciaries with investment responsibilities for the Company s retirement plans and funded health and welfare benefit plans, appointing fiduciaries with administrative responsibilities for the Company s retirement plans and funded health and welfare benefit plans, reviewing funding of the Company s retirement plans and funded health and welfare benefit plans and reviewing other capital transactions including the share repurchase policy. In addition to any review undertaken by the Strategic Review Committee, the full Board meets to review and discuss the Company s operating plan and long-term business strategies.

Committee Charters

A copy of the charter for each of the Audit, Compensation, Nominating & Corporate Governance and Strategic Review Committees is available on the Company s website at www.ustinc.com under the heading Investors/Corporate Governance/Committee Composition and Charters. A printed copy of each such charter is also available to stockholders free of charge upon oral or written request, addressed to the Secretary at UST Inc., 6 High Ridge Park, Building A, Stamford, Connecticut 06905.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

UST Inc. (the Company) is a holding company for its wholly owned subsidiaries: U.S. Smokeless Tobacco Company and Ste. Michelle Wine Estates Ltd.

The Company s vision in the Smokeless Tobacco segment is for its smoke-free products to be recognized by adults as the preferred way to experience tobacco satisfaction. The primary objective to accomplish this vision is to continue to grow the moist smokeless tobacco category by building awareness and social acceptability of smokeless tobacco products among adults, primarily adult smokers, with a secondary objective of being competitive in every moist smokeless tobacco category segment. In pursuing its objectives in the Smokeless Tobacco segment, the Company faces significant regulatory restrictions and is the only smokeless tobacco company subject to the Smokeless Tobacco Master Settlement Agreement, which imposes significant restrictions on the marketing, sampling and advertising of the Company s smokeless tobacco products. Because of these restrictions, executives are required to have in-depth knowledge of these complex regulatory requirements and face greater challenges than executives of the majority of other consumer products companies in raising brand awareness.

Over the past several years, industry trends have shown that some adult consumers have migrated from premium brands to brands in the price value and deep discount segments of the moist smokeless tobacco category. As much of the Company s profitability is generated from premium brand sales, a key to the Company s future growth and profitability is attracting growing numbers of adult consumers, primarily smokers, since consumer research indicates that the majority of new adult consumers enter the category in the premium segment. Also crucial to the Smokeless Tobacco segment s category growth success is product innovation, as evidenced by the contribution that new products have made to its results over the past several years. While category growth remains the Company s priority, it is also focused on increasing adult consumer loyalty within the premium segment of the moist smokeless tobacco category.

The Company s vision in the Wine segment is for Ste. Michelle Wine Estates to be recognized as the premier fine wine company in the world. This is a vision based on continuous improvement in quality and greater recognition through third-party acclaim and superior products. In connection with that vision, the Company aims to elevate awareness of the quality of Washington state wines and increase its prestige to that of the top regions of the world through superior products, innovation and customer focus. Strategic alliances and acquisitions in the Wine segment outside of Washington state are also important in enabling the Company to achieve its long-term vision. Accordingly, the Company has bolstered its presence, through joint ventures and acquisitions, in other leading wine regions in the world such as California, Oregon and Italy. These types of ventures will continue to play a role in Ste. Michelle Wine Estates future growth.

In this environment, it is critical to the Company s long-term success and prosperity that its business is managed by energetic, experienced and capable individuals with the quality, skills, knowledge and dedication to oversee the Company s day-to-day business and the vision to anticipate and respond to future market and regulatory developments. It is also important for the Company to concentrate on developing the capabilities of its leaders, and to ensure that appropriate depth of executive talent exists within the Company.

The objectives of the Company s compensation programs for the Company s principal executive officer, the three individuals who served as principal financial officer during 2007 and the other executive officers serving at December 31, 2007 whose compensation is reported in this proxy (the Company s Named Executive Officers) are to attract first-class executive talent, retain key leaders, reward past performance, incent future performance and align the long-term interests of the Company s Named Executive Officers with those of the Company s stockholders. The Company s executive compensation program is intended to assist the Company in assembling and motivating a management team with the collective and individual abilities that fit the profile necessary to accomplish the Company s long-term goals. The Company uses a variety of compensation elements to achieve these objectives; such elements include base salary, annual incentive opportunities and long-term incentives, including performance-based and time-based restricted shares and stock options, each of which is discussed in more detail below. Each element of the executive compensation program also provides a framework for governing the Company s overall employee compensation program, as the same elements of compensation generally apply to all salaried, non-union employees. Because the Company believes the performance of every employee is important to its success, the Company is mindful of the effect of executive compensation and incentive programs on all of its employees.

Oversight of the Executive Compensation Program

The Board of Directors (the Board) has a Compensation Committee (the Committee) composed of the following outside directors, each of whom is independent in accordance with the governance rules of the New York Stock Exchange: Peter J. Neff, Chair, John D. Barr, John P. Clancey, Ronald J. Rossi and, since January 1, 2008, Lawrence

J. Ruisi. The Committee is appointed by, and responsible to, the Board for making recommendations to the Board, and approving where appropriate, all matters related to executive and non-employee director compensation.

The Committee has a charter which has been established by the Board; a copy of the Committee s charter is available on the Company s website at www.ustinc.com under the heading Investors/Corporate Governance/Committee Composition and Charters. A printed copy of the charter is also available to stockholders free of charge upon oral or written request, addressed to the Secretary at UST Inc., 6 High Ridge Park, Building A, Stamford, CT 06905.

For additional information on the structure, scope of authority and operation of the Committee, see Meetings and Committees of the Board Compensation Committee on page 14.

The Company s Executive Compensation Philosophy

The Committee is responsible for establishing the principles that underlie the Company s executive compensation program and that guide the design and administration of the Company s compensation and benefit plans, agreements and arrangements for executive officers. These principles are intended to motivate executive officers to improve the financial position of the Company, to be accountable for the performance of the business segments or functions for which they are responsible and to make decisions about the Company s business that will enhance stockholder value.

The Committee continuously evaluates the Company s compensation plans and policies against current and emerging compensation practices, legal and regulatory developments and corporate governance trends, and makes changes as appropriate. This review provides assurances that the Company s compensation and benefit programs continue to serve their primary purpose which is to attract and retain the talent necessary to promote strong, long-term financial performance and stockholder returns. For officers other than the Chief Executive Officer (CEO), the Committee has adopted broad total compensation bands. There are four officer total compensation bands with minimums of 50 percent and maximums of 150 percent of the band midpoints. A single benchmark job was utilized to establish the midpoints for target total compensation, and targeted levels for each component of compensation (i.e., base salary, annual bonus and long-term equity awards) for each band. These ranges for total compensation, and each component thereof, provide appropriate flexibility to establish targets for each job within the band based on relevant market data and for rewarding individual performance.

The total compensation for the CEO and each component of such compensation is not determined by reference to any compensation band. Rather, the CEO s compensation is established by reference to market data for a comparator group of companies. See page 19 for a discussion of the manner in which CEO and other officer compensation benchmarks are established. The process described above was used to establish the CEO s compensation for 2007. In establishing such compensation, however, the Committee discounted the results of the benchmarking by 25 percent to reflect that Mr. Kessler was new to the role. As a result, Mr. Kessler s compensation for 2007 was targeted at a total of $6 million. This was comprised of $1 million in base salary, a $2 million bonus target and $3 million in long term incentive award targets.

The following core principles reflect the compensation philosophy of the Company, as established and refined from time to time by the Committee:

1. Performance-based incentive compensation should represent the majority of total compensation

The Committee believes that a significant portion of an executive officer s total compensation should be tied not only to how well the individual performs, but also to how well both the individual s business unit or function and the Company perform against financial and non-financial business objectives while adhering to the Company s core values. In addition, the proportion of an executive officer s total compensation at risk should increase as the scope and level of the individual s responsibilities increase. Thus, the Committee uses

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a variety of performance targets and performance-based compensation vehicles in the executive compensation program that are designed to incorporate performance criteria that promote the Company s annual operating plan and long-term business strategy. These compensation vehicles include annual cash bonuses, stock options and performance-based restricted shares which pay out based on attainment of various goals related to, among other things, earnings per share (EPS), dividend payments and premium moist smokeless tobacco unit volume.

The Committee further believes that executive compensation should be linked to the delivery of stockholder value. Because a significant portion of the way the Company rewards stockholders is with cash through dividends and share repurchases, the Committee believes that a greater proportion of management s incentive compensation should also be delivered in cash, which is also less dilutive. The Company s compensation program also includes long-term incentives, through a series of equity-based awards which link management to the long-term performance of the Company s stock price. The annual cash components of the executive compensation program consisting of base salary and annual incentive opportunities emphasize current corporate performance and the realization of defined business objectives in the short-term. For fiscal year 2007, depending on the scope and level of an individual s responsibilities, between 17 33 percent of total target direct compensation (the sum of base salary, annual incentive compensation and long-term incentive compensation) was allocated to base salary; between 33 50 percent of total target direct compensation was allocated to annual incentive compensation; and between 22 50 percent of total target direct compensation was allocated to long-term incentive compensation.

2. Compensation levels should be competitive

In determining compensation levels, where possible, the Committee uses a comparator group of 14 companies with whom the Committee believes it competes for executive talent. Because the comparator group of companies includes companies outside the tobacco industry, this group of companies is not the same as the group used for comparing investment performance in the graph included on page 19 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. For 2007, the Company s comparator group consisted of the following companies: Altria Group Inc., Anheuser-Busch Companies, Inc., Avon Products, Inc., Brown-Forman Corporation, Campbell Soup Company, the Clorox Company, Colgate-Palmolive Company, Fortune Brands Inc., the Hershey Company, McCormick & Company Inc., Molson Coors Brewing Company, Reynolds American Inc., Sara Lee Corporation, and Wm. Wrigley Jr. Company. Because of the variability in the market capitalization of these companies, where possible, the data used for benchmarking purposes is regressed for market capitalization. The Committee has determined that total compensation is to be targeted at the median of this comparator group (adjusted, where possible, for market capitalization), with an additional 20 percent premium to reflect the Company s challenges in recruiting and retaining talented executives in the tobacco industry and the market dynamics of tobacco-related stocks. For annual and long-term incentives, the actual payout, whether above, below or at the competitive median is determined by performance against pre-established relevant measures and objectives.

To further the principles described above, each year the Committee reviews market data with respect to the comparator group listed above to ensure that the Company s executive compensation program remains competitive and reviews the Company s total executive compensation program with the input of its independent consultant, Frederick W. Cook & Co., Inc., in light of evolving market practices, accounting and tax rules and other external regulatory developments. The Committee undertakes this review to ensure that, for each executive position, the Committee s compensation decisions are appropriate, reasonable and consistent with the Company s philosophy, considering the various markets in which the Company competes for executive talent. If necessary, the Company makes changes in programs to achieve competitive market positioning.

Where market data is not available for a particular position, with respect to these companies, the Company uses broad and custom compensation survey data prepared by Hewitt Associates. The survey data consist of industry data, as well as more general compensation data, which includes organizations similar in

profitability across a variety of industries. Furthermore, the Committee does not limit its analysis to survey data relating to the organizations in the Company s comparator group because the use of data applicable to the most relevant talent pool allows it to more precisely tailor compensation packages to the demands of the market. This broader comparison group is used because the Company s competitors for qualified executives are not always limited to the companies in the Company s business sector or comparator group. In situations where these survey data are used, consistent with the philosophy described herein, the total compensation is targeted to the median of the data utilized (adjusted where possible for market capitalization), with an additional 20 percent premium as explained above.

The benchmark information generated by the broader survey data is also used as an additional reference point in determining total compensation, even where comparator company data is available.

3. Compensation decisions should take into account total compensation and equity holdings

In approving executive officer compensation and severance arrangements, the Committee reviews and takes into consideration the cost of all programs, including perquisites and other Company sponsored benefits, and the cost of such arrangements under various possible scenarios, including change-in-control of the Company and termination of employment with and without cause. Tally sheets setting forth all of the possible payout scenarios are prepared by the Company and are reviewed by the Committee and its independent consultant. The Committee analyzes this information in relation to the practices of companies in the Company s comparator group and where comparator company information is not available, to practices of other relevant companies or other survey data as described above. In special circumstances, the total compensation and the mix of payouts may be adjusted to address retention risks. The Committee also takes into consideration an executive officer s total equity holdings and retention considerations when approving compensation arrangements.

4. Executive officers should have a stake in their decisions

The Committee believes that it is in the best interest of the Company and its stockholders for the executive officers to have a financial interest in the long-term results of their businesses. Accordingly, the Company provides its executive officers with various ways to become stockholders of the Company. These opportunities include performance-based restricted stock awards and, in certain circumstances, stock option grants. The Company s policies regarding stock ownership guidelines and holding requirements are discussed in more detail below.

Components of the Executive Compensation Program

The primary elements of the Company s executive compensation program are:

- base salary;
- annual incentive opportunities paid in cash;
- long-term incentives;
- defined benefit and defined contribution pension plans;
- employment and severance agreements;
- other benefits; and

perquisites.

Each year, the Committee reviews each executive officer s total compensation and compares it with market data for similar positions in the organizations included in the Company s comparator group or market data for other relevant sources as described above. In addition, the CEO presents to the Committee his evaluation of each executive officer, which includes a review of the officer s achievement against both Company financial and individual objectives. The Committee utilizes information from these performance evaluations to determine increases in base salary, calculate annual incentive awards under the Company s incentive compensation plan and determine the level of long-term incentive awards made to the officer. The Committee may exercise discretion in modifying any recommended base salary adjustments and annual incentive compensation awards to these executives.

The role of the Company s management is to provide reviews and recommendations for the Committee s consideration and to manage operational aspects of the Company s compensation programs, policies and governance. Direct responsibilities include, but are not limited to, (i) providing an ongoing review of the effectiveness of the compensation programs, including competitiveness, and alignment with the Company s objectives, (ii) recommending changes, if necessary, to ensure achievement of all program objectives, and (iii) recommending pay levels, payout and/or awards for executive officers other than the principal executive officer.

1. Base Salary

The Committee typically reviews and determines the base salaries of all officers of the Company in April of each year. As described above, except for the CEO, the Committee has established and maintains four broad bands of base salary ranges for officers. The midpoint for base salary ranges is targeted at or near the median of the market base salary of designated positions determined as described above. Base salaries may be adjusted upward or downward within these broad salary bands at the Committee s discretion. Each year, a merit increase guideline is established for all officers of the Company based on market data derived from several surveys, including surveys from the Conference Board, Hewitt Associates, Mercer, Watson Wyatt, and WorldatWork. Based on this data, the average merit increase guideline established for 2007 was 3.8 percent. In determining increases in base salary for each individual, the Committee takes into account the scope of responsibilities, experience, performance rating and internal equity within the Company. For 2007, base salary increases for individual executive officers ranged from 1.5 to 5.0 percent based on the foregoing criteria. In addition, the Committee may make adjustments in an individual s base salary during the year based on changes in the executive s responsibilities. The CEO s base salary was not increased during 2007.

The salaries the Company paid to its Named Executive Officers during fiscal 2007 are shown in the Summary Compensation Table on page 28.

2. Annual Incentive Opportunity

At the beginning of each year, the Committee reviews annual incentive targets under the UST Inc. Incentive Compensation Plan (ICP) for the Named Executive Officers of the Company. At that time, the Committee (i) sets the overall Company performance objectives for the year, and (ii) sets individual performance measures for the year and determines what, if any, adjustments to targets are necessary. This process is undertaken after the Board has approved the Company s annual operating plan for the current fiscal year. The Committee may make adjustments in an individual s target during the year based on changes in the executive s responsibilities, but typically does not make adjustments in the Company or individual performance targets. The weight attributed to Company performance versus individual objectives for executive officers varies based on the individual s position. For the CEO, with respect to the 2007 performance period, 50 percent of the annual bonus was based on achievement against EPS targets, 20 percent was based on achievement against unit volume targets and 30 percent was based on achievement against individual objectives. The earnout with regard to each performance objective of the bonus ranges from 0 to 150 percent of the target allocated to each performance objective with a threshold of 80 percent and a maximum of 120 percent of the pre-established goal. The weighting for each performance objective varied for the other executive officers based on position, but the threshold and maximums were the same as those for the CEO. The overall Company performance objective for 2007 was an EPS target of $3.30. EPS for this purpose is diluted EPS from continuing operations as determined under Generally Accepted Accounting Principles excluding any items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, or related to discontinued operations or a change in accounting principles or tax law or other regulations, provided that such items are specifically identified, quantified and disclosed in any public document, and provided further that such items have a quantifiable impact on net income or EPS reported to the SEC for that period. Individual performance objectives for each executive officer vary depending on his or her position and areas of responsibility. For 2007, such objectives included certain unit volume targets, completion of certain winery transactions, attainment of pre-established return on assets goals and leadership and talent development goals. These individual objectives are determined based on the Company s business priorities. As a result of the Company exceeding these targets and the Board s assessment of individual objectives, including achieving a 13 percent stockholder return against a goal of 10 percent, the CEO s bonus for 2007 was $2.22 million, a payout of 111 percent of his $2 million annual incentive target.

Annual non-equity incentive awards under the ICP are also linked to Company performance with respect to operating earnings, as annual bonuses are awarded to executive officers out of the total ICP fund. The ICP formula, which was last approved by stockholders in 2003, provides for an aggregate bonus fund based upon fixed percentages of net earnings plus the provision for taxes and the ICP fund, as specified in the ICP. This formula requires that earnings exceed 12 percent of stockholders equity and that cash dividends have been declared and paid in the year. All salaried, non-union employees are eligible to participate in the ICP. Additional information regarding ICP can be found in the Employment and Severance Agreements Incentive Compensation Plan section on page 34.

The annual non-equity incentive awards the Company paid to its Named Executive Officers during fiscal 2007 are shown in the Summary Compensation Table on page 28. Additional information about the annual incentive opportunities is shown in the Grants of Plan-Based Awards Table on page 30.

3. Long-Term Incentives

The Company s long-term incentive program rewards the Company s executive officers for Company performance over a period of more than one fiscal year. The Committee believes that long-term incentive compensation performs an essential role in retaining and motivating executive officers and that, by providing them with long-term incentives, their decisions affecting the operation of the business will be aimed at maximizing stockholder value.

Since fiscal year 2003, the long-term incentive awards have consisted of stock options and both time-based and performance-based restricted stock. Since 2006, the long-term awards have focused on performance-based restricted stock with special stock option awards to recognize promotions or address retention issues. The Committee believes that performance-based restricted stock awards better align executive officer interests with those of stockholders and are less dilutive. The Committee does, however, believe that options continue to provide significant incentive to produce long-term results in alignment with stockholder interests and, therefore, has from time to time granted special option awards. These awards are primarily designed to retain certain officers, foster their long-term ownership interests and ensure focus on long-term results. In the future, the Committee may award more stock options or approve different award types such as restricted stock units, performance shares or units or a mix of various long-term vehicles depending on market practices and the competitive environment.

Generally, the Committee determines the overall size of the long-term incentive award for each executive officer, including the CEO and the Chief Financial Officer, and makes equity grants annually. In determining the level of each award in 2007, the Committee considered, without assigning any particular weight to any one factor, the following: (i) the individual performance and scope of responsibilities of each executive

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officer; (ii) existing stock-based awards held by the executive; and (iii) the executive s target total compensation based on market data as described above.

When determining the cumulative effect of all awards to executive officers as a group, the Committee also considered share usage and stockholder dilution, as well as the accounting and tax implications of all awards.

The Committee has made grants of equity awards, including stock options, at varying times of the year. Stock option awards are effective as of the date that the Committee authorizes or approves such awards and, as provided in the 2005 UST Inc. Long-Term Incentive Plan (2005 LTIP), have exercise prices equal to the fair market value of the Company s common stock as determined pursuant to the 2005 LTIP. For awards granted prior to August 1, 2007, the 2005 LTIP defined fair market value as the average of the high and low sales prices per share of the Company s common stock on the date of grant as reported on the New York Stock Exchange Composite Transactions Listing for the date on which such grant became effective, or the immediately preceding trading day if such date was not a trading day. For awards granted on or after August 1, 2007, the 2005 LTIP defines fair market value as the closing sales price per share of the Company s common stock as reported on the New York Stock Exchange Composite Transactions Listing for the date on which such grant becomes effective, or the immediately preceding trading day if such date was not a trading day. This change was approved by the Committee on August 1, 2007.

The performance criteria for the 2006 restricted stock awards consisted of EPS targets for each of the three years during the performance period. For the 2007 awards, the performance criteria consisted of an EPS target for the first full year in the performance period, which will be used to determine the maximum number of shares that can ultimately be earned under the award, followed by dividend targets for the second and third years in the performance period. This change in the performance criteria structure was approved by the Committee in November 2007, and is intended to apply to any future grants made under the 2005 LTIP.

Although management makes recommendations for the Committee s consideration, the timing of equity awards is in the Committee s sole discretion; however, it has been determined by the Committee that the timing of such awards will generally coincide with the Company s annual meetings. The Committee has made such awards without regard to the release of the Company s financial results for the year or the release of any other material non-public information. The Committee s policy is that the grant date of an equity compensation award for an executive officer should be as of or shortly after the date the Committee approves the grant.

The Committee met and approved the long-term incentive awards for executive officers and all other eligible employees on April 30, 2007, with an effective date of such awards being May 2, 2007, the date of the Company s 2007 annual meeting. For executive officers, this award consisted of performance-based restricted stock based on the attainment of an EPS goal established for the 2008 performance period, as well as continued employment with the Company for a forty-five month period, and dividend targets for the second and third years of the performance period. An EPS goal of $3.65 was established by the Committee for the 2008 performance period on January 31, 2008. EPS for this purpose is adjusted diluted EPS as described above. The Committee believes that attainment of the EPS target with respect to these awards presents management with a significant challenge, which if achieved, would generate results that deliver the growth investors seek. The material terms of the awards granted to executive officers are described in the narrative disclosure following the Grants of Plan-Based Awards Table on page 30. Additional terms and conditions of these equity awards are determined under the provisions of the 2005 LTIP. Copies of the 2005 LTIP and any amendments to the 2005 LTIP are attached as exhibits or incorporated by reference in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which can be found on the Company s website at www.ustinc.com.

The Committee made a special award of 7,500 shares of restricted stock to Mr. Patracuolla on April 4, 2007, in recognition of his expanded duties as interim Chief Financial Officer upon Mr. D Alessandro s retirement. The material terms of this award are described in the narrative disclosure following the Grants of Plan-Based Awards Table on page 30.

On August 1, 2007, the Committee made two special awards to Mr. Silcock upon his election to the position of Senior Vice President and Chief Financial Officer of the Company. Both awards became effective on August 6, 2007. The first award consists of 50,000 non-qualified stock options to purchase shares of Company common stock. The second award consists of performance-based restricted stock having a fair market value of $500,000 as of August 6, 2007, which equated to 9,425 shares, subject to terms similar to the May 2, 2007 performance-based restricted stock grants to the other Named Executive Officers described above. The material terms of these awards are described in the narrative disclosure following the Grants of Plan-Based Awards Table on page 30.

4. Defined Benefit and Defined Contribution Pension Plans

The Company sponsors a tax qualified defined benefit pension plan for its salaried employees as part of its competitive pay practices. Executive officers participate in the Company s tax-qualified defined benefit pension plan on the same terms as the rest of the Company s salaried employees. Because the Internal Revenue Code of 1986, as amended (Code), imposes limits on the annual compensation that can be taken into consideration to determine benefits under such plans and the total annual amounts that can be paid as benefits under such plans (limitations imposed by Sections 401(a)17 and 415 of the Code), the Company has established and maintains unfunded, defined benefit pension plans for employees who are subject to such limitations, including executive officers, to compensate these individuals for the reduction in their pension benefits resulting from these limitations.

In addition, in order to attract and retain more seasoned, experienced executives, the Company maintains a supplemental pension plan for officers, the Officers Supplemental Retirement Plan (the Supplemental Plan), which provides an enhanced pension formula based on attainment of a certain age and level of service with the Company. Generally executive officers who have attained age fifty-five with ten years of overall service and five years of service as an officer are eligible to participate in the Supplemental Plan. The Supplemental Plan formula generally provides for an age 60 benefit equal to the greater of 110 percent of the tax qualified defined benefit formula or 50 percent of eligible compensation, offset by amounts payable under the tax qualified defined benefit pension plan and the Company s unfunded, non-qualified defined benefit plans. The Company does not consider bonus payments in excess of 25 percent of the annual bonus amount or gains from prior equity awards when determining retirement benefits under the Supplemental Plan.

The actuarial present value of the accumulated pension benefits of the Company s Named Executive Officers as of the end of fiscal 2007, as well as a more detailed explanation of the Company s defined benefit pension plans, are shown in the Pension Benefits at December 31, 2007 Table on page 35.

The Company also maintains a tax-qualified defined contribution plan for the benefit of all of its employees, the UST Inc. Employees Savings Plan. Executive officers are eligible to participate in this plan on the same basis as all other employees. This plan provides for Company matching contributions of 100 percent of the first six percent contributed by employees.

5. Employment and Severance Agreements

The Company has entered into employment and/or severance agreements with several executives, including all of its Named Executive Officers in order to ensure that the terms applicable to a separation from service are agreed upon in advance and not subject to future negotiation. Certain of these agreements were entered into in 2006 during the transition of Mr. Gierer s responsibilities as CEO to Mr. Kessler in order to ensure the continued focus of the affected Named Executive Officers on the business. Most of these agreements also provide for severance benefits after a change in control, if the executive officer s employment is subsequently terminated (i.e., double trigger change-in-control agreements). Mr. Patracuolla s agreement with the Company provides for severance benefits only upon a qualifying termination of employment that occurs following a change in control. Severance benefits in the event of a termination

of employment after a change in control are intended to ensure retention of these executives in the event of such occurrence.

On April 6, 2007, the Company entered into a Non-Competition and Release Agreement with Mr. D Alessandro setting forth the mutual agreement of the Company and Mr. D Alessandro as to the rights and obligations of the parties in connection with his retirement from the Company, all as contemplated by Mr. D Alessandro s severance agreement as described above.

The material terms of the Company s agreements with its Named Executive Officers as of the end of fiscal 2007, as well as of the Non-Competition and Release Agreement entered into in 2007 with Mr. D Alessandro, are described in the narrative disclosure following the Grants of Plan-Based Awards Table on page 30. The material terms of the severance agreements with the Company s Named Executive Officers as of the end of fiscal year 2007 and Mr. Patracuolla s agreement, are described in the section Potential Payments Upon Termination or Change in Control beginning on page 38. A quantification of amounts payable to the Named Executive Officers other than Mr. D Alessandro are set forth in the tables in the section Potential Payments Upon Termination or Change in Control beginning on page 38. A quantification of certain amounts paid or accrued with respect to Mr. D Alessandro in connection with his retirement are set forth in the Summary Compensation Table on page 28 and the footnotes thereto.

6. Other Benefits

The Company maintains medical, dental, vision, accidental death, disability, life insurance, business travel accident insurance and survivor income benefits for all of its salaried employees, as well as customary vacation, leave of absence, and other similar policies. Other than the vacation policy, executive officers are eligible to participate in these programs on the same basis as the rest of the Company s salaried employees. For purposes of the vacation policy, executive officers receive a minimum of five weeks vacation annually irrespective of service. This vacation policy was adopted for executive officers to ensure that adequate periods of vacation are provided based on the level of responsibility of these positions.

7. Perquisites

The Company provides its executive officers with company cars, financial planning assistance, annual Company wine allowances, reimbursements for the costs associated with the installation and maintenance of security systems and periodic personal use of the Company s aircraft, subject to prior approval by the CEO. The Company provides these perquisites to assist officers in focusing on the Company, rather than their personal affairs and to foster the use of the Company s wine products at events they host. The Company no longer provides executive officers with a one-time reimbursement for country club initiation fees. The Company further believes that executives working in the tobacco industry, whose compensation information is publicly available, should have adequate security at their homes. The level of the perquisites allowed is based on the Company s assessment of a reasonable amount necessary to accomplish its objective in providing these benefits. Neither the CEO nor the other executive officers receive any additional cash compensation to reimburse them for any income tax liability that may arise and become due and payable as a result of their receipt of these items. The Company does not pay any additional cash compensation to executive officers to reimburse them for any income taxes that become due and payable in connection with equity awards, including any taxes that become due as a result of the exercise or vesting of such awards.

The aggregate incremental cost to the Company of providing these benefits to its Named Executive Officers during fiscal 2007 is shown in the Summary Compensation Table on page 28.

Additional Executive Compensation Policies

In addition to the principal policies relating to the compensation elements described above, the Company has adopted a number of supplemental policies to further the goals of the executive compensation program,

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particularly with respect to strengthening the connection between the long-term interests of the executive officers and the Company s stockholders. These policies are described below.

1. Stock Ownership Guidelines

Executive Stock Ownership Guidelines have been established by the Committee to encourage officers to obtain and hold Company stock, to align their interests with those of the Company s stockholders, as well as to demonstrate their long-term commitment to the future growth of the Company. These guidelines provide that within a five-year time frame, all officers are expected to own, at a minimum, depending on job band, shares with a market value of one to five times their base salary. The Company s current stock ownership guidelines for executive officers are as follows:

Position	**Ownership Level**
Chairman of the Board, Chief Executive Officer and President	5 times base salary
Senior Vice President and Chief Financial Officer	2 times base salary
Senior Vice President, General Counsel, Secretary and Chief Administrative Officer	2 times base salary
President, U.S. Smokeless Tobacco Company	2 times base salary
President, International Wine & Spirits Ltd	2 times base salary

Restricted shares, shares held in the UST Inc. Employees Savings Plan, shares purchased through the Company s Dividend Reinvestment and Stock Purchase Plan (a non-subsidized, non-discounted stock purchase plan applicable to all stockholders) and shares held directly by the executive officer or their spouse count toward satisfying the guidelines. Unexercised stock options do not count toward satisfying the guidelines. Vested restricted shares must be held until guidelines are achieved. The guidelines and ownership of the Company s Named Executive Officers serving as of the end of fiscal 2007 are as follows:

Named Executive Officer	**$ Target**	**Value of Actual Shares Owned**	**Actual Ownership Level**
Murray S. Kessler	$ 5,000,000	$ 12,983,490	13 times base salary
Raymond P. Silcock	$ 945,000	$ 1,064,490	2 times base salary
Richard A. Kohlberger	$ 992,200	$ 4,482,530	9 times base salary
Daniel W. Butler	$ 1,000,000	$ 3,284,766	7 times base salary
Theodor P. Baseler	$ 887,600	$ 2,549,076	6 times base salary

2. Holding Requirements

On December 8, 2005, prior to the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, the Board, upon the recommendation of the Committee, approved the acceleration of vesting of all outstanding, unvested stock options previously awarded to the Company s employees and officers, including executive officers, under the UST Inc. Amended and Restated Stock Incentive Plan and the UST Inc. 1992 Stock Option Plan. The decision to accelerate the vesting of these options during 2005 was made in connection with the Company s current intention to use other forms of equity compensation with decreasing dependence on stock options and to reduce the compensation expense that the Company would otherwise be required to record in future periods following the Company s adoption of SFAS No. 123(R) on January 1, 2006.

In order to prevent unintended personal benefits to the Company s officers, the accelerated vesting was conditioned on such officers entering into an amendment to their original option award agreements providing that such officers will not, subject to limited exceptions, sell, transfer, assign, pledge or otherwise dispose of any shares acquired upon exercising the accelerated portion of the options before the earlier of the date on which that portion of the options would have otherwise vested under the original terms of the applicable option agreements or separation from service. This restriction no longer applies as the last accelerated grant became fully vested in September 2007.

3. Compensation Recovery Policy

The Company maintains a compensation recovery policy with respect to its equity awards and the Supplemental Plan. In general, equity award agreements for all employees provide that if an employee is terminated for cause, or if after an employee is terminated for other than cause, the Company discovers the occurrence of an act or failure to act by the employee, while in the employ of the Company, that would have enabled the Company to terminate the employee s employment for cause had the Company known of such act or failure to act at the time of its occurrence, or subsequent to an employee s termination of employment, the employee violates a non-competition provision, and in each case, such act is discovered by the Company within three years of its occurrence, then, amounts will be returned to the Company as follows:

In the case of restricted stock, any shares which have not yet become vested are forfeited and returned to the Company and any shares of restricted stock that vested during the 180 day period prior to and including the date of termination will be returned to the Company. If such vested shares have been sold or otherwise disposed of, the employee will repay to the Company the fair market value of such shares on the date of such sale or other disposition.

In the case of stock options, any portion of the option (whether or not then exercisable) that has not been exercised as of the date of termination or discovery is forfeited and returned to the Company. In addition, the employee must sell back to the Company all shares acquired upon exercise on or after the date which is 180 days prior to the employee s termination for a per share price equal to the per share exercise price of the option, or to the extent that such shares have been sold or otherwise disposed of, the employee must repay to the Company the excess of the aggregate fair market value of such shares on the date of such sale or disposition over the aggregate exercise price of such shares.

According to the terms of the Supplemental Plan, if participants are terminated for cause they will not be entitled to a benefit under the plan. If subsequent to the participant s termination of employment with the Company other than for cause, the Company discovers the occurrence of an act or failure to act by the participant that would have enabled the Company to terminate the participant s employment for cause had the Company known of such act or failure to act at the time of its occurrence or the participant violates any secrecy or non-competition agreement, the participant forfeits the right to any future benefits under the plan and must repay to the Company all amounts received subsequent to the date on which the act or failure to act constituting cause or the violation of any secrecy or non-competition agreement occurred.

The Company does not have a policy related to the recovery of performance-based compensation following a restatement of its financial statements.

Accounting and Tax Implications of Executive Compensation

Current federal tax law imposes an annual individual limit of $1 million on the deductibility of the Company s compensation payments to the CEO and its four other most highly compensated executive officers. Performance-based compensation that satisfies the conditions of Section 162(m) of the Code (Section 162(m)), is excluded for purposes of this limitation. The 2007 awards made to the CEO and the other executive officers pursuant to the ICP, as well as the awards made pursuant to the 2005 LTIP were subject to, and made in accordance with, the Committee s pre-established performance goals and are, therefore, considered performance-based for this purpose. In designing compensation arrangements, the Committee seeks to mitigate the expense and dilution related to such arrangements and to ensure, to the maximum extent practicable, the deductibility of all compensation payments pursuant to Section 162(m).

On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, adding Section 409A to the Code (Section 409A) and thereby changing the tax rules applicable to nonqualified deferred compensation arrangements effective January 1, 2005. While final Section 409A regulations are not effective until January 1, 2009, the Company believes it is operating in good faith compliance with

Section 409A and the interpretative guidance thereunder. A more detailed discussion of the Company s nonqualified deferred compensation plans is provided on page 35 under the heading Pension Benefits at December 31, 2007.

Beginning on January 1, 2006, the Company began accounting for awards under the 2005 LTIP in accordance with SFAS No. 123(R).

Compensation Committee Report

The Committee has reviewed and discussed with management the Company s Compensation Discussion and Analysis for the year ended December 31, 2007 as required by Item 402(b) of Regulation S-K promulgated by the SEC. Based on such review and discussions, the Committee recommended to the Board, and the Board has approved, the inclusion of the Compensation Discussion and Analysis in the Company s 2008 Proxy Statement and its incorporation by reference into the Company s Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the SEC.

February 20, 2008

Compensation Committee
Peter J. Neff, Chairman
John D. Barr
John P. Clancey
Ronald J. Rossi
Lawrence J. Ruisi

Summary Compensation Table

The following table summarizes the compensation of the Named Executive Officers for the fiscal years ended December 31 of each of 2006 and 2007. The Named Executive Officers are the Company s Chief Executive Officer, each of the persons who served as Chief Financial Officer during 2007, and the three next most highly compensated executive officers determined by reference to their total compensation in the table below (excluding amounts disclosed in the Change in Pension Value and Non-Qualified Deferred Compensation Earnings column).

Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	T
. Kessler	2007	1,000,000	-	1,475,723	417,500	2,220,000	390,439	79,374	5,
n of the Board,	2006	661,577	-	1,367,454	69,583	1,638,375	87,485	45,714	3,
ecutive Officer									
dent									
. P. Silcock	2007	192,635	-	-	57,222	416,250	-	127,279	

ce President and ancial Officer									
D Alessandro[6]	2007	127,212	-	1,579,490	-	-	1,352,973	2,837,740	5,
enior Vice President f Financial Officer	2006	464,712	-	334,079	-	1,055,469	253,304	50,358	2,
A. Kohlberger	2007	490,202	-	556,438	-	1,080,800	919,728	53,966	3,
ce President, Counsel, and Chief rative Officer	2006	464,712	-	263,240	-	1,084,419	778,513	65,189	2,
. Butler	2007	488,692	-	528,343	115,667	1,108,500	115,275	82,616	2,
U.S. Smokeless Company	2006	447,885	- &n	187,530	115,667	764,575	108,984	49,578	1,