UST INC
Form PRE 14A
February 23, 2007

Table of Contents

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:

[X]	Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))	
[ ] 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:

---

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

---

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

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

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

---

(3) Filing Party:

---

(4) Date Filed:

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March , 2007

100 West Putnam Avenue
Greenwich, Connecticut 06830

To the Stockholders of UST Inc.:

The 2007 Annual Meeting of Stockholders of UST Inc. (the Company) will be held at the Cole Auditorium of the Greenwich Library, 101 West Putnam Avenue, Greenwich, Connecticut, on Tuesday, May 1, 2007, at 10:00 a.m., Eastern Daylight Savings Time, for the following purposes:

(1) to adopt and approve an amendment to the Company s Restated Certificate of Incorporation to declassify the Board of Directors so that each director would stand for reelection on an annual basis;
(2) (a) in the event Proposal 1 is adopted and approved, to elect nine directors to serve for terms of one year each, or until their respective successors are duly elected and qualified;
(2) (b) in the event Proposal 1 is not adopted and approved, to elect three directors to serve for terms of three years each, or until their respective successors are duly elected and qualified;
(3) to ratify the appointment of independent auditors of the accounts of the Company for the year 2007; 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 8, 2007 will be entitled to vote at the meeting. The approximate date of mailing of this Proxy Statement is on or about March 26, 2007. 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 20, 2007, 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. Please sign and date the enclosed proxy card and return it in the enclosed postage paid envelope or you may also vote your shares either via telephone or the Internet. Please read the instructions printed on the top portion of your 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 1, 2007.

MARIA R. SHARPE
Senior Vice President and Secretary

TABLE OF CONTENTS

Table of Contents

100 West Putnam Avenue
Greenwich, Connecticut 06830
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 1, 2007, 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 8, 2007, the record date for the Annual Meeting, the outstanding stock of the Company entitled to vote consisted of 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 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. A resolution will be offered to adopt and approve an amendment to the Company s Restated Certificate of Incorporation to declassify the Board of Directors so that each director would stand for re-election on an annual basis.

2(a). In the event the amendment to the Company s Restated Certificate of Incorporation to declassify the Board of Directors is adopted and approved, nine directors will be elected to serve for terms of one year each, or until their respective successors are elected and qualified.

2(b). In the event the amendment to the Company s Restated Certificate of Incorporation to declassify the Board of Directors is not adopted and approved, three directors will be elected to serve for terms of three years each, or until their respective successors are elected and qualified.
3. A resolution will be offered to ratify the appointment of independent auditors of the accounts of the Company for the year 2007.
Your authorized proxies will vote **FOR** the resolution to amend the Company s Restated Certificate of Incorporation to declassify the Board of Directors, **FOR** the election of the individuals herein nominated for directors, and **FOR** the resolution regarding the auditors, 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.

Proposal No. 1

Declassification of the Board of Directors

General. Article Sixth of the Company s Restated Certificate of Incorporation has provided for a classified board structure for many years. This structure divides the Board into three classes of directors, with each class serving a staggered three-year term. As a result, approximately one-third of the directors currently stand for election each year. To declassify the Board and implement a system providing for an annual election of the directors, the Company s Restated Certificate of Incorporation must be amended.
The Board, upon the recommendation of the Nominating & Corporate Governance Committee, has adopted resolutions, subject to stockholder approval, approving and declaring the advisability of an amendment to Article Sixth of the Company s Restated Certificate of Incorporation to declassify the Board and directed that this proposal, requesting that stockholders approve such amendment to Article Sixth, be submitted to a stockholder vote.
Background. Classified or staggered boards have been widely adopted and have a long history in corporate law. Proponents of a staggered system for the election of directors believe that such a system provides continuity and stability and facilitates long-term strategic planning by ensuring that a majority of a company s directors at any given time have the prior relevant experience as directors of the company. As a tobacco company, we, in the past, have felt that a classified board structure was beneficial for this reason. Proponents of classified boards have also asserted that these provisions protect companies against unfair and abusive treatment of stockholders in takeover situations and/or proxy contests.
On the other hand, classified boards are felt by some to have the effect of reducing the accountability of directors to stockholders because classified boards limit the ability of stockholders to evaluate and elect all directors on an annual basis. In addition, the existence of a classified board of directors is of concern to some who feel that it may deter some tender offers or substantial purchases of stock that might give stockholders the opportunity to sell their shares at a price in excess of what they would otherwise receive.
The Board, over the years, has considered carefully the advantages and disadvantages of maintaining a classified board structure, and in the past concluded that it would be in the best interest of the Company and its stockholders to maintain a classified board. This year, the Board, in consultation with its advisors, has once again given due consideration to the various arguments for and against a classified board. After this review, the Board, upon the recommendation of the Nominating & Corporate Governance Committee, has decided that it is an appropriate time to propose declassifying the Board. While the Board recognizes that staggered terms can promote continuity and stability in the Board s business strategies and policies, it has unanimously concluded, in light of, among other things, the vote of the Company s stockholders at the last annual meeting on a stockholder proposal relating to this matter, that it is in the Company s best interests to eliminate its classified board structure.
Implementation of the proposal. If the proposal is approved by the requisite vote of stockholders, the Company s Restated Certificate of Incorporation will be amended to allow for the annual election of all directors beginning at the Annual Meeting. The proposed amendment to the Company s Restated Certificate

4

Table of Contents

of Incorporation is annexed to this proxy statement as Appendix A, which shows the current language of Article Sixth and the changes to Article Sixth resulting from the amendment. If approved, this proposal will become effective upon the filing of a Certificate of Amendment to the Company s Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

Miscellaneous. Under Delaware law, directors of companies that have a classified board of directors may only be removed for cause unless the certificate of incorporation provides otherwise. However, directors of companies that do not have a classified board may be removed with or without cause by a majority vote of the stockholders. Accordingly, if the proposed amendment to the Company s Restated Certificate of Incorporation is approved, the Company s stockholders would be able to remove, with or without cause, any or all members of the Board elected at this meeting or any subsequent meeting.

The current number of directors is ten and will be reduced to nine as of the Annual Meeting. The adoption of this proposal would not otherwise change the number of directors nor would it affect the authority of the directors to change that number and to fill any vacancies or newly created directorships.

If this proposal is not approved by the stockholders at the Annual Meeting, the Board will remain classified and the directors elected at the Annual Meeting will serve for a three-year term ending at the 2010 Annual Meeting of Stockholders.

The Resolution. The following resolution will be offered at the Annual Meeting:

> *RESOLVED,* that, the amendment to Article Sixth of the Company s Restated Certificate of Incorporation to declassify the Board, a copy of which is attached as Appendix A to the Company s proxy statement for the 2007 Annual Meeting of Stockholders, be, and it hereby is, ratified, confirmed and approved by the stockholders of the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THIS PROPOSAL (Proposal No. 1). Your appointed proxies will vote your shares **FOR** Proposal No. 1, unless you instruct otherwise in the proxy form.

The affirmative vote of a majority of the outstanding shares of Common Stock present in person or by proxy is required to adopt this proposal. Accordingly, abstentions and broker non-votes will have the same effect as a vote against this proposal.

Proposal No. 2

Election of Directors

The Company s Restated Certificate of Incorporation currently provides for the election of one-third (as nearly as possible) of the Board annually. Patrick J. Mannelly, a director since 2005, is not standing for re-election at the Annual Meeting. The Board currently consists of ten members and, with the departure of Mr. Mannelly, will be reduced to nine members at the Annual Meeting. If the stockholders approve the proposed amendment to the Company s Restated Certificate of Incorporation to declassify the Board discussed above, all nine members of the Board will be up for re-election at the Annual Meeting. However, if the stockholders do not approve the proposed amendment, then the term of office of three of the current directors will expire at the Annual Meeting, the term of office of three of the current directors will expire at the 2008 Annual Meeting of Stockholders and the term of office of three of the current directors will expire at the 2009 Annual Meeting of Stockholders.

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. Your vote is required with respect to both Proposals 2(a) and 2(b). The proposal that will become effective will be based on whether stockholders approve Proposal No. 1.

Table of Contents

2(a) Election of nine directors to serve for one-year terms

In the event the stockholders approve Proposal No. 1 regarding declassification of the Board, 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 2008 Annual Meeting of Stockholders, or until their respective successors are elected and qualified: John D. Barr, John P. Clancey, Patricia Diaz Dennis, Vincent A. Gierer, Jr., Joseph E. Heid, Murray S. Kessler, Peter J. Neff, Andrew J. Parsons and Ronald J. Rossi.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS (Proposal No. 2(a)).

2(b) Election of three directors to serve for three-year terms

In the event the stockholders do not approve Proposal No. 1 regarding declassification of the Board, upon recommendation of the Nominating & Corporate Governance Committee, the Board has nominated the following three current members of the Board to serve for a term of three years each to expire at the 2010 Annual Meeting of Stockholders, or until their respective successors are elected and qualified: John P. Clancey, Vincent A. Gierer, Jr. and Joseph E. Heid.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS (Proposal No. 2(b)).

The Nominees

Set forth in the following table is certain information with respect to each person nominated by the Board, including the number of shares of Common Stock beneficially owned by such person as of December 31, 2006. As described above, if Proposal No. 1 regarding declassification of the Board is approved, each of the nine below listed individuals will be nominated to serve as directors for terms of one year each rather than the present terms described below, or until their respective successors are elected and qualified. If Proposal No. 1 is not approved, only those three individuals listed below whose names are accompanied by an asterisk will be nominated to serve as directors for terms of three years each, or until their respective successors are elected and qualified. Further, if Proposal No. 1 is not approved, those six individuals listed below whose names are not accompanied by an asterisk will continue to serve as directors of the Company until the expiration of their present terms, or until their respective successors are elected and qualified.

Name of Nominee or Director

John D. Barr
Age 59
Shares beneficially owned:
Outstanding shares 9,113
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 United Auto Group, Clean Harbors Inc., and James Hardie, N.V.

Name of Nominee or Director

***John P. Clancey**
Age 62
Shares beneficially owned:
Outstanding shares 24,633
Shares pledged as security or collateral 0
Shares subject to options 10,285
Present term expires in 2007
Director since 1997

Mr. Clancey has served as Chairman of Maersk Sealand 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 60
Shares beneficially owned:
Outstanding shares 10,113
Shares pledged as security or collateral 0
Shares subject to options 4,285
Present term expires in 2009
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 February 16, 2007, her responsibilities include oversight of AT&T corporate litigation and legal matters related to procurement, corporate real estate, information technology and 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; Senior Vice President, General Counsel and Secretary of SBC West from May 2002 to August 2004 and Senior Vice President Public Affairs and Special Projects of SBC from February 2002 to May 2002.

***Vincent A. Gierer, Jr.**
Age 59
Shares beneficially owned:
Outstanding shares 391,230
Shares pledged as security or collateral 0

Shares subject to options 730,300
Present term expires in 2007
Director since 1986

Mr. Gierer has served as non-executive Chairman of the Board of the Company since January 1, 2007 and served at its Chairman and Chief Executive Officer from December 1, 1993 to December 31, 2006. Mr. Gierer served as President of the Company from September 1990 to November 2005. He was employed by the Company from March 1978 until his retirement on December 31, 2006.

Table of Contents

Name of Nominee or Director

***Joseph E. Heid**
Age 60
Shares beneficially owned:
Outstanding shares 14,399
Shares pledged as security or collateral 0
Shares subject to options 1,285
Present term expires in 2007
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. He also serves as a director of Vertrue, Inc.

Murray S. Kessler
Age 47
Shares beneficially owned:
Outstanding shares 194,755
Shares pledged as security or collateral 30,600
Shares subject to options 406,600
Present term expires in 2008
Director since 2005

Mr. Kessler has served as President and Chief Executive Officer of the Company since January 1, 2007 and served as its President and Chief Operating Officer from November 3, 2005 to December 31, 2006. Mr. Kessler served as President of U.S. Smokeless Tobacco Company (USSTC) from April 6, 2000 to November 2, 2005. He served as Senior Vice President of USSTC from January 3, 2000 to April 5, 2000.

Peter J. Neff
Age 68
Shares beneficially owned:
Outstanding shares 15,151
Shares pledged as security or collateral 0
Shares subject to options 5,785
Present term expires in 2009
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.

Table of Contents

Name of Nominee or Director

Andrew J. Parsons
Age 63
Shares beneficially owned:
Outstanding shares 6,854
Shares pledged as security or collateral 0
Shares subject to options 0
Present term expires in 2009
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.

Ronald J. Rossi
Age 66
Shares beneficially owned:
Outstanding shares 20,091
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.

As of December 31, 2006, all directors and executive officers as a group beneficially owned 958,712 shares of Common Stock and had exercisable options to acquire 1,424,010 shares of Common Stock, which together represented in the aggregate approximately 1.5 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.

Table of Contents

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 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., 100 West Putnam Avenue, Greenwich, Connecticut 06830.

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 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;

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. Gierer, the Company s non-executive Chairman of the Board, and Mr. Kessler, the Company s President 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. Mr. Mannelly, who is not standing for re-election at the Annual Meeting, also satisfies each of the foregoing independence requirements, as applicable.

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.

Table of Contents

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 firms of Heidrick & Struggles and 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 by 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 27, 2007, 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., 100 West Putnam Avenue, Greenwich, Connecticut 06830.

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., 100 West Putnam Avenue, Greenwich, Connecticut 06830. 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 eleven meetings during 2006. 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 2006 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. In his absence, 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 twelve times during 2006, is currently comprised of the following directors: Joseph E. Heid Chairman, Patricia Diaz Dennis, Patrick J. Mannelly, 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 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. Mannelly 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 auditors;

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 45 of this proxy statement.

Compensation Committee

The Compensation Committee, which met nine times during 2006, is comprised of the following directors: Peter J. Neff Chairman, John D. Barr, John P. Clancey 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 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, Frederic 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 2006, 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.

The 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 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 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 25 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 2006. None of such committee members (i) was, during fiscal year 2006, 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 eight times during 2006, 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