

DRAFT 2
Executive Summary/Lawsuit

On Thursday, March 24, 1994, Philip Morris Companies Inc. and its domestic tobacco subsidiary filed a \$10-billion libel suit against American Broadcasting Company, Inc. and certain of its employees in the Virginia State Circuit Court in Richmond.

The action was filed in response to false and defamatory statements made on the nationally televised magazine-format news show "Day One" on February 28 and March 7, 1994, and other ABC News programs.

The suit centers around statements by Day One that tobacco companies, including Philip Morris, were "artificially spiking" and "fortifying" their cigarettes with extra nicotine during the manufacturing process for the express purpose of keeping smokers "hook[ed]."

The suit contends that the statements on Day One and other news broadcasts were false and defamatory, and that Day One had first broadcast and then rebroadcast the defamatory accusations, despite having been expressly advised by Philip Morris and others in the tobacco industry of their falsity.

Among the Day One statements the suit identifies as false and defamatory were references to reconstituted tobacco, the adding of tobacco extract, and the use of denatured alcohol as being implicated in the supposed "manipulating", "fortifying" and "spiking" of cigarettes with nicotine.

The suit sets forth in detail that:

--In fact, reconstituted tobacco contains 20-25% less nicotine than tobacco leaf, in part because substantial nicotine is lost in the process and is not replaced; no nicotine is added in the reconstitution process.

--Contrary to Day One's claim, no "powerful extract containing nicotine and flavor" or any other nicotine substance is added in the cigarette manufacturing process. As has long been a matter of public record, tobacco companies have used flavor packages containing tobacco extract. Philip Morris no longer does. When used in the past by Philip Morris with respect to a single brand, the flavor package containing tobacco extract resulted in less than 1/4500 (or 0.00021) of the amount of nicotine that otherwise naturally would occur in the cigarette.

--Philip Morris uses denatured, that is undrinkable, alcohol in those manufacturing processes requiring alcohol. The only form of denatured alcohol approved by the federal government for use in the manufacture of cigarettes is that which has been denatured by adding minute amounts of nicotine specified by the government to be only 0.0002 of the alcohol. No measurable increase in nicotine results from the use of denatured alcohol.

--From the arrival of tobacco at Philip Morris' plants to its departure as packaged cigarettes, there is not a gain, but a very substantial loss in percentage of nicotine in tobacco.

2022880236

According to the suit, as a direct result of publication of these and other knowingly defamatory statements, Philip Morris has suffered great harm to its reputation, trade and business:

--ABC's previews and repetition of the statements, and the national networks' and press' acceptance of Day One's supposed "revelations" as true, resulted in the repetition of the false charges virtually daily.

--Stock price has fallen sharply and trade and business have been damaged.

--ABC's defamatory statements have fueled a climate of public, media, regulatory and congressional reaction against the tobacco companies, which could result in actions severely detrimental to Philip Morris business.

The suit is requesting a judgment against ABC in the amount of \$5 billion in compensatory damages (for Philip Morris Companies, Inc. and its domestic tobacco subsidiary) and \$5 billion in punitive damages.

2022880237