

Draft 1 8:00 A.M.  
April 8, 1996

QUESTIONS & ANSWERS  
APRIL 9, 1996 MEETING WITH EMPLOYEES

1. *What should I tell my friends and acquaintances when they ask me about the latest media reports about our company?*

Start by reminding them that the media is no place to find facts or determine the truth. You might remind them of our ABC settlement as an example of where the company was able to gain an apology for a clear error in reporting.

Then you might explain to them what I just talked about. The strategy of this company is not to fight our factual battles in the media but in the courts -- where facts can be presented without the filter of media bias.

Then, depending on the issue, tell them where we stand -- on youth smoking, on our quality control practices, on the so-called "safer cigarette", on adults making informed choices, etc.

And you might remind them that 90% of this noise is coming from plaintiff lawyers who are after fat fees and are concocting every theory they can think of to bolster their weak cases.

2. *Since the Liggett settlement, Texas has joined the growing number of states to sue us for Medicaid reimbursement and I see where other states are also thinking of suing us. When is this going to stop and what are we doing to prevent the floodgates from opening even further?*

We can't stop people from filing law suits. We can only win the suits so that people realize what a waste of time it is.

Obviously, we applaud Governor Fordice of Mississippi for his courage in pointing out the wastefulness of his own state's suit.

These Medicaid suits will ultimately fail because they are based on some pretty wild notions. And think of what kind of precedent they would set. If the state starts collecting from tobacco companies -- where does it go from there? Will beef and milk producers start paying for heart disease? Will bakeries pay for the health effects of obesity?

The Medicaid suits are a wild legal stab in the dark. They should eventually fall of their own weight. And after the first ones go, it will be a house of cards.

3. *What happens if Bennett LeBow takes over RJR and they become subject to the same settlement as Liggett? What will that mean?*

As I said, this proposed settlement is very far from being an approved settlement. It is very likely to be challenged in the courts by the actual plaintiffs, since it really is a lousy deal for them. Don't forget what it offers: 50% off on a smoking cessation program. And that is not only for current smokers, but also former smokers and deceased smokers. No one has explained how former smokers and deceased smokers will benefit from this one.

We don't think this settlement will stick.

4. *What impact are recent developments having on our efforts to convince Congress that the FDA should not regulate cigarettes?*

We think our campaign against the FDA is going quite well. Obviously, we have had to do a lot of briefing of politicians about recent events, but they are showing an understanding of what these events were -- orchestrated propaganda by the plaintiff lawyers. More and more we see that people are clearly separating two things -- the youth smoking issue and the proposal for FDA jurisdiction over cigarettes. They are seeing the foolishness and the danger of FDA jurisdiction and seeing that some useful steps can be taken against youth smoking, particularly at the state level.

5. *What did you think of the article in the New York Times Magazine yesterday? I thought it was pretty good.*

Some interesting diagnosis, but the wrong prescription.

Naturally, I was pleased to see Mr. Kluger take on what he called the "half-truths" of the plaintiffs regarding "nicotine manipulation," "addiction", etc. His proposal for a so-called "global settlement" is pretty far-fetched and certainly not acceptable for us -- except maybe the first element which protected us against all suits now and in the future. That part I liked.

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Provocative, but  
it is also*