

THE TOBACCO INSTITUTE

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SAMUEL D. CHILCOTE, JR.
President

VIA FACSIMILE

MEMORANDUM

October 1, 1996

TO: The Members of the Executive Committee

FROM: Samuel D. Chilcote, Jr. 

Today, the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) held a press conference at the National Press Club to urge "the world's largest pension fund" to divest itself of its \$1.5 billion investment in the tobacco industry. Former U.S. Surgeon General Koop participated in the event.

The press conference was held specifically to appeal to the 1.43 million shareholders who will be receiving their annual proxy mailing in the next two weeks to support Resolution #3, which calls for the pension fund to stop any future purchase of tobacco stocks and to "orderly" divest itself of tobacco holdings. The TIAA-CREF board and management has advised shareholders to oppose Resolution #3. Press coverage was moderate. The Institute has not received press inquiries on the event.

Dr. Eugene Feingold, Co-Chair of "Educators for Tobacco-Free Investments," called investment in tobacco stocks "risky" and such investments by CREF participants "inappropriate" since tobacco "kills their students." He also discussed the success of the fund's "Social Choice" account that does not invest in tobacco stocks. Feingold said that similar resolutions submitted in the last two years received 12 percent of the vote in 1994 and 20 percent in 1995. With this campaign, Feingold said he hopes to "get alot more than 20 percent" in 1996.

Dr. Randolph Smoak, Secretary/Treasurer, American Medical Association (AMA), discussed the AMA's efforts for a "world of tobacco-free pension plans." He cited AMA's creation in April 1996 of the "Coalition for Tobacco-Free Investment" and AMA's resolution last June calling on all health and life insurance companies to divest. He also cited a letter the AMA sent last week to all mutual funds in the nation requesting divestment of tobacco stocks. Matthew Myers, National Campaign for Tobacco-Free Kids, said it was time to "invest in America's children, not tobacco."

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Dr. Koop said he was a beneficiary of the CREF funds and urged support of Resolution #3. He said that since reduction in smoking has been a priority of the U.S. Government since 1965, it is "hypocritical" and "sends the wrong message" that the world's largest pension fund depends on the success of the tobacco industry. He called on the teachers to "lead by example."

Amy Domini, Chair, Domini Social Equity Fund, said that tobacco divestiture on portfolio performance is "negligible." She discussed "screening out" tobacco stocks and said that while tobacco stocks have outperformed the Standard & Poor (S&P) 500 over the past 10 years, "the S&P would have underperformed a tobacco-free S&P index in the last five." She added that tobacco-free investment is not "inconsistent" with superior investment results. With regard to the timeframe for an "orderly" divestment, Ms. Domini said it would take a "month to six weeks" for the TIAA-CREF to divest itself of tobacco holdings.

For copies of the transcript and press materials, please call my office.

I will, of course, keep you apprised of further developments.

SDC:mrg

cc: TI Senior Staff

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