

PHILIP MORRIS COMPANIES INC.

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TO: All Employees **Date:** September 22, 1999
FROM: Steven C. Parrish
SUBJECT: Department of Justice Lawsuit

Today, Attorney General Janet Reno announced the U.S. Justice Departments' filing of a suit against Philip Morris and other tobacco companies in an effort to recover alleged health care costs resulting from tobacco use. We believe that this suit has no basis in law and stand firm in our commitment to fight it.

As a responsible corporate citizen, we have shown that we are willing to work with any and all responsible individuals to develop reasonable solutions for the issues surrounding the manufacture, marketing and sale of tobacco products. That will not change. But, we do not believe that this kind of politically motivated lawsuit is in anyone's interest.

Regarding the news of the suit, responsible lawyers at the Justice Department have known for months that such a lawsuit makes little, if any, sense.

Regarding the merits of the suit, Attorney General Janet Reno told Congress in 1997 that the federal government has no independent cause of action against the tobacco industry to recover health care costs spent for treating citizens who also smoke.

The Clinton Administration, in 1997, blocked benefits to cover alleged smoking-related illnesses for veterans because it contended that everyone has been well aware of the risks of smoking.

Since 1964, every U.S. Surgeon General has warned the American public of the risks of smoking in inches-thick public reports that detail and chronicle the findings of the world's most respected scientists who have studied tobacco and its effects.

Since 1966, Congress has mandated that every pack of cigarettes sold in the United States carry a warning of the possible health effects of smoking.

For the Clinton White House and the Department of Justice to now say Americans were somehow deceived, and the government ignorant, of the link between smoking and health is beyond reason.

But despite all the public scientific learnings, despite all the common-sense consumer knowledge, despite the legal analyses by professional Justice Department lawyers, President Clinton announced in January that he would sue the industry, and today he made good on his threat.

Legal issues very similar to this lawsuit were heard by a federal jury in Akron this year, and the jury was unanimous in returning a verdict for Philip Morris and the industry.

We believe this case should not make it as far as a jury. We believe this case should be dismissed before it ever reaches trial. If not, however, a jury will hear all the evidence - not just the highly prejudiced and one-sided version contained in the Justice Department's announcement - and we believe we will win.

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I know that the past several months have been difficult for you and your families. No one likes to work under a state of siege, and we've all felt that way from time to time. There will be more challenges in the days ahead. There may be more grandstanding attacks on our integrity, our credibility and our products.

We are determined to try to effectively communicate to the American public the values and the commitment of the people of Philip Morris.

We have a lot to be proud of at Philip Morris and I know that we will preserve, hold our course and ultimately prevail.