

GOOD AFTERNOON.

THE FIRST "100 DAYS" OF THE 104TH CONGRESS ARE HISTORY ... WHILE THE HOUSE WAS PASSING NINE OF THE TEN KEY COMPONENTS OF THE "CONTRACT," WE MANAGED TO KEEP A LOW PROFILE. A SUMMARY OF FEDERAL TOBACCO ISSUES IS IN YOUR PACKETS.

EVEN THE INTRODUCTION OF THREE ANTI-TOBACCO MEASURES BY SENATORS HARKIN, LAUTENBERG AND BRADLEY -- BILLS RELATING TO MEDICARE AND MEDICAID ... AD DEDUCTIBILITY ... AND TOBACCO TAX INCREASES ... GENERATED LESS THAN THE USUAL MEDIA FLURRY OR IMMEDIATE CONGRESSIONAL SCRUTINY.

THAT SAID, WE ARE UNDER NO ILLUSIONS AS WE PREPARE FOR THE NEXT 100 DAYS AND THE REMAINDER OF THE SESSION.

THE CENTERPIECE OF FEDERAL ACTIVITY STILL REVOLVES AROUND OUR WORK WITH THE ADMINISTRATION AND REPRESENTATIVES BLILEY, PAYNE AND ROSE. AS YET ... NO DEFINITIVE ACTION HAS OCCURRED ... NOR HAS KESSLER MOVED IN ANY MEANINGFUL WAY.

I ASK CHARLIE TO FILL YOU IN ON THAT AND OTHER FEDERAL LEGISLATIVE MATTERS OF CONCERN.

FOLLOWING CHARLIE'S REPORT, BRENNAN AND WALTER WILL DISCUSS OUR RECOMMENDATIONS WITH REGARD TO O-S-H-A FOR THE REMAINDER OF THE YEAR. AS YOU KNOW, WE NEED A SIGNIFICANT SUPPLEMENTAL BUDGET TO MEET THE INDUSTRY'S NEEDS AS RECOMMENDED TO US BY OUR EXPERTS AND YOURS. THE COST OF ACTION IS STEEP ... THE COST OF INACTION IS MUCH STEEPER.

CHARLIE, PLEASE GET US STARTED

(WHITLEY, DAWSON, WOODSON)

THE STATE LEGISLATIVE LOAD HAS BEEN RELATIVELY LIGHT SO FAR FOR AN OFF-ELECTION YEAR. A STATE ISSUE UPDATE IS IN YOUR PACKETS.

PAT WILL TOP-NOTE EVENTS IN FLORIDA, MARYLAND, ARIZONA, MINNESOTA, NEW YORK CITY AND ELSEWHERE.

IN ADDITION, WE NEED A FULL DISCUSSION OF THE CALIFORNIA SITUATION AND THE IDEA SOME HAVE SUGGESTED OF WORKING WITH THE MEDICAL ASSOCIATION THERE. THE IDEA ... WHICH HAS BEEN SUGGESTED BEFORE ... MUST BE HASHED OUT.

PAT WILL ALSO GO OVER THE INITIATIVE SITUATION ... HE WILL REPORT ON THE STATUS OF THE I&R STRATEGY GROUP, AND GIVE AN UPDATE ON THE LIKELIHOOD OF BALLOT MEASURES IN SPECIFIC STATES.

PAT ...

(DONOHO)

WE HAVE HELD A SERIES OF MEETINGS WITH YOUR STAFFS, OUR ALLIES IN SMOKELESS TOBACCO AND IN THE RETAIL AND WHOLESALE TRADES TO REACH A CONSENSUS ON A UNIFORM ... AND UNIFIED ... INDUSTRY PLAN TO DEAL WITH OUR MUTUAL GOAL OF REDUCING THE SALE OF TOBACCO PRODUCTS TO KIDS.

THAT WORK IS MOVING AHEAD STEADILY ... AND SHOULD OUR EFFORTS WITH THE ADMINISTRATION BEAR FRUIT, WE WILL KNOW EXACTLY WHAT COURSE TO CHART.

HOWEVER, WHAT IF OUR NEGOTIATIONS DRAG ON INDEFINITELY ... OR BREAK OFF? WHERE DO YOU WANT TO GO WITH REGARD TO A UNIFIED AND AGGRESSIVE RETAILER PROGRAM?

WE HAVE ALREADY BEGUN TO MOVE THE NEEDLE ... TO PULL BACK NOW WOULD BE AWKWARD ... TO PULL BACK LATER WOULD BE EVEN MORE AWKWARD. BRENNAN WILL UPDATE YOU ON OUR PROGRESS TO DATE. AFTER THAT REPORT, I HOPE WE CAN REACH A CLEAR UNDERSTANDING ... AND AGREEMENT ... ON WHERE THE INDUSTRY WANTS TO GO ON THIS MATTER.

BRENNAN ...

(DAWSON)

NOWHERE IS THE ANTI-TOBACCO PACKAGE MORE COMPLETE THAN IN CALIFORNIA. WE FACE ALL THE HURDLES ... STATE LEGISLATIVE CHALLENGES ... STATE REGULATORY ACTION ... LOCAL ASSAULTS ... BALLOT MEASURES ... A SAVAGE MEDIA ENVIRONMENT ... EVEN POTENTIALLY HELPFUL ALLIES IN BUSINESS AND LABOR GENERALLY RANGE FROM LUKEWARM - IN SUPPORT TO DOWNRIGHT HOSTILE.

WE COULD JUST WRITE THE STATE OFF ... BUT I BELIEVE WE OWE IT TO OURSELVES TO SEE IF THERE ISN'T AN INDUSTRY MESSAGE WE CAN DEVELOP AND PROMOTE TO HELP ALTER THE ENVIRONMENT -- A MESSAGE ... OR MESSAGES ... THAT RESONATE WITH THE VOTERS EVEN WHEN THE INDUSTRY IS DELIVERING IT.

BRENNAN AND THE STAFF HAVE LOOKED INTO THIS MATTER AND HAVE A RECOMMENDED COURSE OF ACTION.

BRENNAN

(DAWSON)

THANK YOU. THAT CONCLUDES OUR REPORT. IF THERE IS NO OTHER BUSINESS I REMIND YOU THAT OUR NEXT MEETING IS SCHEDULED FOR THURSDAY, MAY 11TH ... BEGINNING AT 1:00 P.M. HERE AT T-I.