

PHILIP MORRIS

MANAGEMENT CORP.

120 PARK AVENUE • NEW YORK, NY 10017-5592 • (917) 663-5000

JOSE LUIS MURILLO, JR.
ASSISTANT GENERAL COUNSEL

February 8, 1999

(917) 663-2623
FAX: (917) 663-5567

VIA FACSIMILE AND FIRST CLASS MAIL

To: Notice Parties for Outdoor Advertising for all Settling States

Re: Alternative Billboard Advertising Under Master Settlement Agreement

Ladies and Gentlemen:

We are writing to update the work of Philip Morris Incorporated ("Philip Morris") with the States, advertising agencies and billboard companies regarding the removal of Philip Morris tobacco advertising and placement of alternative advertising on billboards under the Master Settlement Agreement ("MSA"). Much of what we explain here was discussed at the February 1, 1999 meeting of the Tobacco Committee of the National Association of Attorneys General. We are providing this information to you in the interest of completeness and to respond to various inquiries from your States.

First, we are enclosing an updated inventory that we believe accurately lists those Philip Morris billboards located in your State subject to the alternative advertising provision of the MSA. (If no list is included with this letter, there are no applicable billboards in your state). As we explained on February 1, finalizing this list has been a very complex process because of the numerous billboards, the multiple jurisdictions, the number of outdoor companies and the issues some billboard companies have raised regarding their contracts. That said, this updated inventory is the most accurate list we can provide based on available information. As many of you have requested, we hereby acknowledge each state's designation of the listed billboards for alternative advertising.

Please note, as we explained on February 1, that some billboard companies have disputed whether particular billboards are subject to alternative advertising. To the extent we are aware of a billboard company taking such a position, we have noted such billboards on the inventory by placing an asterisk in the first column on the left. We are hopeful that the billboard companies will honor our contracts and cooperate fully with you, but we obviously cannot assure that. It is also possible that disputes may arise with other billboard companies.

2081387883

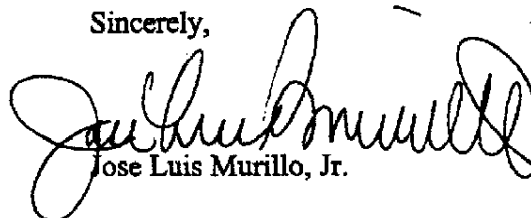
Second, we are enclosing a list of the billboard companies and the appropriate contacts at those companies. In addition, if you have any question with respect to production or logistical requirements for any of the billboards you select, you may contact the Philip Morris advertising agencies who deal directly with the billboard companies. For billboards contracted through Leo Burnett, you may contact Donna Marie Baum at (312) 220-5959. For billboards contracted through Young & Rubicam, you may contact Carol Rothschild at (212) 474-0000.

Third, if you have questions regarding contracts for the billboards you may select for alternative advertising, we will, shortly, be able to provide copies of such contracts at your request. Please direct any such inquiries to our outside counsel assisting Philip Morris in this regard, John M. Rogers, Esq., Hunton & Williams, 200 Park Avenue, New York, New York 10166, (Tel.#: 212-309-1036; fax #: 212-309-1100) with a copy to me.

Finally, we ask you again to promptly inform us of those billboards that you actually will use for alternative advertising starting in April, so that we may cancel the contracts for the rest. As Laurie Loveland has previously explained, and as we explained again at the February 1 NAAG meeting, the complexities surrounding alternative advertising are compromising our efforts to have the billboard companies timely remove billboards as the MSA requires. Without repeating all the issues, some billboard companies have been reluctant to remove copy from their billboards without replacement copy. Other billboard companies, we are informed, may be replacing Philip Morris copy with advertising from other companies whose business they have secured despite our billboard contracts. These problems have been exacerbated by many States saying they want some or all the billboards without making specific selections. We are not assigning blame for this; the process has turned out to be complex for everyone. Our foremost goal is to be in compliance with our removal obligations, and your making specific designations at this time will advance that goal.

Thank you for your attention to these issues and your ongoing cooperation in our compliance efforts. If you have any questions, please feel free to contact me.

Sincerely,



Jose Luis Murillo, Jr.

cc: Attorney General Fisher
Attorney General Gregoire
Attorney General Moore
Laurie Loveland, Esq.
Martin J. Barrington, Esq. ✓

2081387884