

RESPONSE FROM ALTRIA:

FDA Regulation of Tobacco

http://www.altria.com/en/cms/About_Altria/Federal_Regulation_of_Tobacco/default.aspx?src=top_nav

<http://www.fda.gov/TobaccoProducts/default.htm>

The Food and Drug Administration (FDA) has authority to regulate cigarettes, cigarette tobacco, “roll-your-own” tobacco and smokeless tobacco products, and may extend its authority to regulate other tobacco products such as cigars and pipe tobacco. The FDA has indicated that regulation of cigars is on its agenda of items to consider possible rulemaking during the summer of 2010.

Altria Group actively supported legislation for more than eight years that provided FDA with this authority and seeks to work constructively with the FDA as it begins to establish a comprehensive national regulatory framework. We believe that this regulation can provide significant benefits to adult consumers by, among other things:

- Establishing a common set of high standards for all tobacco manufacturers and importers doing business in the U.S.;
- Providing a framework for the evaluation of tobacco products that are potentially less harmful than conventional cigarettes;
- Creating clear principles for accurate and scientifically grounded communications about tobacco products to adult consumers.

Altria believes that regulation is best achieved through an approach that draws upon the experience and expertise of all stakeholders, including regulated industry. The experience, expertise and viewpoints of the industry can be a valuable resource to the FDA in achieving a science-and evidence-based program that results in reasonable regulation.

Brand Integrity

http://www.philipmorrisusa.com/en/cms/Products/Cigarettes/Protecting_Our_Brands/default.aspx?src=top_nav

PM USA makes high-quality products including Marlboro cigarettes, the largest selling cigarette brand in the U.S. We are committed to protecting our brands from those who would misuse our trademarks or engage in illegal activity involving our brands.

We believe the cigarettes we manufacture should be sold in compliance with all laws and regulations.

We define contraband cigarettes as product that is:

- counterfeit
- untaxed or under-taxed
- illegally imported
- stolen

The contraband cigarette trade poses a continued concern for our business, government and law enforcement, as well as the legitimate wholesale and retail trade. That's why we play an active role in addressing this problem and supporting the work of regulatory and law enforcement authorities.

Impact on government revenue

In recent years, excessive increases in state cigarette excise taxes and growing disparities in excise taxes from state to state have provided an incentive for consumers to seek alternative sources to purchase cigarettes. This trend has also resulted in significant financial incentives for criminals and revenue losses for government. Because contraband cigarettes are sold in violation of laws, including age verification laws, they also may be more accessible to youth.

PM USA advocates for state and federal legislation to:

- better protect the legitimate channels of distribution
- impose more stringent penalties for the violation of laws related to contraband cigarette trafficking
- provide additional tools for law enforcement

Support for law enforcement

We work with law enforcement authorities at the local, state and federal levels to support their work to counteract contraband trade in cigarettes. One way we do this is by notifying authorities when we become aware of retailers, wholesalers and importers engaged in the contraband trade of our branded products.

We also support law enforcement efforts by providing:

- contraband cigarette-related training
- product and funding programs to support ongoing investigations
- inspection and authentication of product packaging
- destruction of seized product upon request of law enforcement

Engagement with the trade

Contraband cigarette-related activity undermines the legitimate distribution channels through which our products are distributed and sold. Law-abiding wholesalers and retailers face unfair competition when lower-priced contraband cigarettes are introduced into a market through illegal activity.

We work to protect legitimate retailers and wholesalers by:

- Withholding merchandising payments and promotional support from – and terminating contracts with – sellers engaged in contraband cigarette sales or related activities involving our brands.
- Pursuing litigation or other civil actions against importers, distributors or sellers of contraband cigarettes.
- Providing law enforcement with information about contraband cigarette-related activity found at retail outlets, and in locations where cigarettes are not normally sold.
- Supporting tougher legislation to better protect legitimate distribution.

We will continue to protect our valuable trademarks through our efforts and in coordination with others impacted by this issue.

Smoking & Movies

http://www.philipmorrisusa.com/en/cms/Products/Cigarettes/Marketing_Sales/Product_Placement/default.aspx?src=top_nav

The appearance of cigarette brands, brand imagery and smoking scenes in movies, television shows and other public entertainment media continues to be a topic of concern to many in society. At Philip Morris USA, we do not want our brands or brand imagery depicted in public entertainment media.

There are many variables that contribute to youth smoking, and some researchers have concluded that youth exposure to smoking in movies can have an impact on their attitudes and behaviors related to smoking.

PM USA does not pay for or endorse any placement of its products or brand imagery in movies, television shows or other public entertainment media. Our policy since 1990 has been both to refrain from paying for product placement and to decline all third-party requests to use, display or reference our cigarette brands, products, packages or advertisements in any movies or television shows or other public entertainment media.

The tobacco settlement agreements reinforced this policy by strictly prohibiting participating manufacturers such as PM USA from paying for product placement in movies, television shows or other performances or video games.

Although some continue to believe that the appearance of cigarette brands and brand imagery in public entertainment media is the result of product placement by tobacco companies, PM USA does not pay for, and continues to deny all requests for, depiction of its brands in public entertainment media.

Unfortunately, the fact that we do not engage in product placement does not mean that our brands are never shown. Some producers and directors choose to depict our brands in their work without our permission. But we are limited in our ability to stop all displays of our brands because federal and state trademark laws, as well as the U.S. Constitution, protect freedom of expression and the "fair use" of trademarks in works such as movies and television shows.

Our position is clear – we do not want our brands or brand imagery depicted in movies and television shows. The unauthorized use of our brands and brand imagery perpetuates the misunderstanding among some that we pay or are otherwise responsible for these depictions, which is simply not the case. We strongly encourage the movie studios to eliminate references to or depictions of our brands.

In addition to our positions on product placement and the depiction of our brands and brand imagery in public entertainment media, we believe that producers, directors and others involved in the creative process are in a unique position to voluntarily eliminate smoking scenes in movies and other public entertainment media directed at youth.

Underage Tobacco Use

http://www.philipmorrisusa.com/en/cms/Responsibility/Helping_Nav/Helping_Reduce_Underage_Tobacco_Use/default.aspx?src=top_nav

Kids should not smoke or use any tobacco products. As the largest tobacco manufacturer in the U.S., we believe we have an important role to play in helping reduce underage tobacco use.

Underage tobacco use is a complex issue for which there is no one simple solution. Experts point to a variety of societal, environmental and personal factors that should be considered to help prevent risky behaviors, and recommend a multi-faceted approach.

That's why we support a Positive Youth Development approach to preventing underage tobacco use, emphasizing positive relationships and activities, and reducing risk factors. This approach can help kids make healthy decisions, like not using tobacco.

Over the years, we have funded a variety of research-based programs that:

- Help prevent underage access to tobacco products;
- Provide parents with tools to help them raise kids who don't smoke; and
- Support youth-serving organizations to help keep kids from using tobacco.

Learn more about our [history of supporting efforts to reduce underage tobacco use](#)

In the late 1990s, Philip Morris USA entered into [agreements with the states](#) that have dramatically changed the way tobacco products are marketed and sold. In addition, we supported legislation, enacted in June 2009, to give the Food and Drug Administration regulatory authority over tobacco products, including new authority to prevent underage tobacco use.

Today, we continue to support programs and legislative efforts to help [reduce underage access to tobacco products](#), [organizations that provide kids with the support](#) they need to make healthy decisions, and [tools for parents](#) to help them raise kids who don't smoke or use any tobacco products.

We also follow a number of business practices designed to limit underage access and exposure to our tobacco product brands and marketing materials. For example, we:

- limit direct mail and access to branded websites to adult tobacco consumers who are 21 or older and similarly limit one-to-one marketing activities to those 21 years of age or older;
- [engage with movie studios](#) and others in the entertainment industry and encourage them to eliminate smoking scenes in movies directed to kids; and
- require participating retailers to merchandise and sell all cigarettes only in clerk-assisted transactions and place our retail point of sale materials in limited locations only.

Adult Tobacco Consumer Age-Verification Process

http://www.philipmorrisusa.com/en/cms/Products/Cigarettes/Marketing_Sales/Direct_Mail/default.aspx?src=top_nav

Direct Communications

While images of our cigarette brands are no longer part of the mass marketing landscape on billboards, Philip Morris USA continues to communicate directly with adult cigarette smokers through direct mail and by providing unique promotions and experiences.

We use our cigarette mailing list to send mailings to qualified adult cigarette smokers who have told us they would like to receive coupons, promotions and other cigarette brand offers. Smokers may remove themselves from the cigarette brand mailing list if they do not wish to receive further mailings from PM USA or its cigarette brands.

In order to qualify to receive cigarette brand mailing, an adult cigarette smoker must first certify that he or she is a smoker and 21 years of age or older. PM USA then verifies age by obtaining a legible copy of a valid government-issued identification that clearly displays the cigarette smoker's name, address, date of birth and signature. In some cases, we verify age by using technology that accesses various third-party data sources available to confirm the cigarette smoker's age.

http://www.philipmorrisusa.com/en/cms/Products/Cigarettes/Marketing_Sales/Programs_Promotions/default.aspx?src=top_nav

Consumer Engagement Programs

PM USA directs its cigarette brand marketing and advertising initiatives to adult cigarette smokers. We conduct a number of brand-related promotions, including one-to-one marketing activities that are held within adult-only facilities.

For example, qualified adult cigarette smokers and their qualified adult guests experience life in the American West firsthand through a trip to [Crazy Mountain Ranch](#) in Montana.

Additional marketing promotions are also designed to build and strengthen our brands. These include engaging in contests and sweepstakes.

Our consumer engagement programs, including trips to Crazy Mountain Ranch, are held at adult-only facilities. The Tobacco Settlement Agreements define an adult-only facility as a facility or restricted area that limits admittance to those who meet the minimum age at which it is legal to purchase or possess cigarettes.

Before adult cigarette smokers and their adult guests are admitted, we verify age with a valid, government-issued identification. The guest does not need to be a cigarette smoker.

Tobacco Purchasing

High-quality American tobacco is the backbone of the premium tobacco products that Philip Morris USA and U.S. Smokeless Tobacco manufacturers.

Larger cigarette volume declines mean PM USA doesn't need the same amount of tobacco as we once did in past years, but Marlboro remains the number 1 cigarette in U.S. with a nearly 43 percent of the market in the U.S.

PM USA works with thousands of American tobacco farmers to promote a stable, sustainable supply of high-quality U.S. tobacco for our products.

- PM USA and USSTC have a strong commitment to American tobacco farmers and the vast majority of the tobacco we buy is from American farmers
- For example, PM USA buys millions of pounds of Kentucky tobacco from thousands of Kentucky tobacco farmers
- Altria's USSTC subsidiary buys 100 percent of its dark-fired and dark air-cured tobaccos in Tennessee and Western Kentucky