

December 1, 1997

Honorable Jim Smith
Member, South Carolina Senate
223 Voter Drive
Columbia, South Carolina 29294

Dear Senator Smith:

As you know, R.J. Reynolds Tobacco Company has been a client of mine for some time. On June 20 of this year, RJR and the other major tobacco manufacturers reached an historic agreement with 40 state attorneys general and the public health community on a plan to drastically reduce youth smoking. Additionally, this agreement resolves other tobacco-related controversies, many of which are debated in the South Carolina legislature each year. Congressional action on the proposed settlement is expected to take place when Congress reconvenes on January 26, 1998.

Enclosed is a summary of the major features of the proposed settlement. While there has been widespread coverage of the settlement by the media, I wanted to take this opportunity to make sure you are aware that a national resolution on tobacco issues is pending and of the potential benefits for our state.

The total settlement amount, agreed to by the Attorneys General, health organizations and the tobacco industry is \$368.5 billion. I have also enclosed an estimate, prepared by the Attorneys General, of each states share of the settlement funds. While the funds projected for South Carolina are impressive, Congress will make the ultimate decision on how settlement dollars are distributed. Congress may, in fact, decide to retain a significant portion of the revenues at the federal level and the states share could be much lower than the estimates prepared by the Attorneys General. **The tobacco industry has not been, and will not be, involved in developing formulas or recommending to Congress how the settlement funds should be distributed.**

Should you have questions or desire additional information regarding the settlement, please do not hesitate to contact me.

Best Regards,

Fred Allen

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