

NEWS RELEASE

ATTORNEY GENERAL JOE MAZUREK

STATE OF MONTANA

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MAZUREK FILES SUIT AGAINST TOBACCO COMPANIES

HELENA -- Attorney General Joe Mazurek filed suit Monday on behalf of the state of Montana against nine tobacco companies in an attempt to prevent the marketing of cigarettes to children, recover millions of dollars in state medical costs, and obtain statutory penalties for unfair and deceptive trade practices.

The lawsuit is similar to those filed by 24 other states in the past three years.

"These suits have several goals in common," Mazurek said. "They seek to provide the public with full disclosure about the health effects of tobacco products, to put an end to the industry's deceptive practices, to reimburse the states for their tobacco-related health care costs and, most importantly, to protect our children, who have been deliberately targeted by tobacco companies to replenish the ranks of dying smokers."

Montana's suit -- developed in consultation with the state Department of Public Health and Human Services (DPHHS) -- alleges that the tobacco companies have conspired since the 1950s to suppress damaging information on the health risks of smoking. It also accuses the companies of knowingly using false information to dispute the link between smoking and numerous diseases; conspiring to suppress research into the creation of a safer cigarette; conspiring to suppress information on the addictive nature of nicotine; and manipulating nicotine levels to maintain addiction among smokers. The acts all violated Montana's antitrust and consumer protection laws, the suit says.

The suit also contends that because tobacco use kills hundreds of thousands of the industry's customers every year, the companies must induce others -- through marketing campaigns -- to begin smoking. Children have been a key target of these campaigns, it says.

As a result of the industry's deceptive practices, the state of Montana has been forced to pay millions of dollars in medical costs for treating tobacco-related diseases, the suit says.

"The evidence that has come to light in recent months, including the documents produced in the settlement with the Liggett Group, shows a pattern of lies and deception of historic proportion," Mazurek said. "This lawsuit is designed to halt the deception and make the tobacco companies take responsibility for their conduct."

He noted that Montana is the 25th state to file suit, adding: "By joining, we help move the case against Big Tobacco to critical mass -- that point where it becomes impossible for the tobacco companies to ignore the number of states demanding honesty and accountability."

The complaint, filed in Lewis and Clark County District Court, seeks damages for health care costs borne by the state through its Medicaid program, which pays for medical care for needy

people, and for increased health insurance premiums that the state must pay for its employees, as health insurance costs rise to cover the costs of tobacco-related illnesses.

The state pays approximately 28 percent of a Medicaid recipient's bills, while the federal government pays the other 72 percent. The suit asks that the companies pay Montana's Medicaid costs for tobacco-related illnesses, in an amount to be proven at trial.

"Medicaid bears a significant burden related to tobacco use -- more than \$12 million annually in Montana," said DPHHS Director Laurie Ekanger, whose agency operates the state's Medicaid program. "Since 85 percent of current smokers began smoking by the age of 21, we need to shift our focus now to youth tobacco use prevention, rather than just paying these enormous medical expenses year after year."

The suit says more than 400,000 Americans die each year of smoking-related illnesses. DPHHS estimates that more than 200,000 Montanans use tobacco and that 1,500 Montanans die each year from tobacco-related illnesses.

To replace those customers, the industry has undertaken marketing campaigns to continually attract new users -- particularly minors, the suit says, noting that smoking among young people has increased since the 1970s. It says marketing aimed at minors includes advertisements that associate smoking with healthy, glamorous and successful lifestyles; promotional distribution of shirts, caps and other youth-oriented items to people who buy cigarettes; and the use of images aimed at young people.

The suit cites the introduction of the cartoon character, Joe Camel, as a dramatically successful example of marketing aimed at minors.

"When (R.J.) Reynolds began this cartoon campaign in 1988, Camel's share of the children's (under 18 years of age) market was only 0.5 percent," the suit says. "In just a few years, Camel's share of this illegal market has increased to 32.8 percent, representing sales estimated at \$476 million per year."

The suit asks that the companies take "reasonable and necessary steps" to prevent the distribution and sale of cigarettes to minors, as well as make restitution of all unjust profits from tobacco sales to minors.

"Recent events -- including the settlement talks with tobacco companies -- have convinced us that it's time for Montana to join this litigation," Mazurek said. "While I have participated with other state attorneys general in a number of discussions on these lawsuits, it has been hard for a small state such as ours to commit to this effort. Now, however, is clearly the time for Montana's voice to be heard and for Montana to have a seat at the table."

Named in the suit are Philip Morris, Inc.; R.J. Reynolds Tobacco Co.; American Tobacco, Inc.; Brown & Williamson Tobacco Corp.; Liggett & Myers, Inc.; Lorillard Tobacco Co., Inc.; United State Tobacco Co.; B.A.T. Industries, P.L.C.; and British American Tobacco Co., Ltd.. The suit also names two R.J. Reynolds parent companies, the public relations firm of Hill & Knowlton, Inc. and the industry-related lobbying groups, The Council for Tobacco Research-USA, Inc., and the Tobacco Institute.

As in the other cases, private firms have been retained to provide legal services and cover the up-front costs of the complex litigation. The state's lead firm will be Hagens and Berman of Seattle, assisted by the Ness Motley firm from Charleston, S.C., the Scruggs Millette firm from Pascagoula, Miss., and Phoenix attorney Steve Mitchell, one of the lead attorneys representing

the State of Arizona in its tobacco case. Together, the attorneys represent 17 of the 24 states that have filed tobacco cases.

"The makeup of our team ensures that we will benefit from the experience and the efforts of the states that have already filed," Mazurek said.

The attorneys will receive fees computed on a sliding scale, depending on the amount of work required to produce a successful outcome. The maximum fee is 15 percent of the state's recovery. Mazurek stressed that the firms will be paid only if the suit is successful.

"In that case, the fees will be paid from the amount recovered," he said. The firms also have agreed to advance the expenses of the litigation.

"Montana taxpayers have already shouldered a heavy burden paying the medical costs related to smoking," Mazurek said. "The legal arrangement we have made will do everything we can to ensure that their pocketbooks don't get hit twice."