

FILED
CIVIL DIVISION

01 MAR 19 PM 3:53

S. EPHY THUNBERG
CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

BILL LOCKYER
Attorney General of the State of California
RICHARD M. FRANK
Chief Assistant Attorney General
DENNIS ECKHART
Senior Assistant Attorney General
LAURA KAPLAN (SBN 64264)
KAREN LEAF (SBN 107703)
ALAN LIEBERMAN (SBN 68463)
Deputy Attorneys General
1300 I Street
P.O. Box 944255
Sacramento, CA 94244-2550
Telephone: (916) 323-3705
Fax: (916) 323-0813

Attorneys for Plaintiff

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN DIEGO

**PEOPLE OF THE STATE OF CALIFORNIA, ex
rel. BILL LOCKYER, Attorney General of the State
of California,**

Plaintiff,

v.

**R.J. REYNOLDS TOBACCO COMPANY, a New
Jersey corporation,**

Defendant.

General Civil

764118

Case No:

GIC

**COMPLAINT FOR
ENFORCEMENT OF THE
CONSENT DECREE AND
MASTER SETTLEMENT
AGREEMENT**

(Youth Targeting through Print
Advertising Placement)

The People of the State of California, by and through Bill Lockyer, Attorney General of
the State of California, allege as follows:

INTRODUCTION

1. In November 1998, the People of the State of California through the Attorney General
("the People") and the major tobacco companies, including defendant R.J. Reynolds Tobacco
Company ("Reynolds"), stipulated to entry of a Consent Decree and Final Judgment ("Consent
Decree") and signed the Master Settlement Agreement ("MSA"), settling the State's landmark
litigation against the tobacco companies, *People of the State of California, et al. v. Philip Morris*

1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8

2
3
4

5

6
7
8
9

10
11
12
13
14
15
16
17
18

19
20
21
22
23
24
25
26
27

28

resources to limit or reduce the exposure of persons in such target audiences (e.g., youth ages 12-17) to their advertising.

9. The People allege on information and belief that the two leading national research services which measure magazine readerships are MediaMark Research, Inc. ("MRI") and Simmons Market Research Bureau ("Simmons"). Historically, Reynolds and its advertising agents have analyzed and relied upon MRI's readership studies in selecting publications in which to advertise. Reynolds and its advertising agents use reach and frequency software programs to determine how many persons in selected demographic groups would be exposed to advertising for Reynolds' cigarette brands, and how often they would be exposed, as the result of Reynolds' advertising placement decisions.

10. On December 10, 1999, by letter from Guy M. Blynn to Ohio Attorney General Betty Montgomery and the National Association of Attorneys General, Reynolds stated, inter alia, that it would continue to advertise in any publication whose under-21 readership was less than 50% of its total readership. A copy of said letter is attached as Exhibit A to this Complaint and incorporated by reference. However, to ascertain the "median age" of a publication's readership for purposes of this policy, Reynolds considered only the MRI data on adult readership and did not consider the MRI data on youth readership.

11. On June 16, 2000, by letter from Charles A. Blixt to Oklahoma Attorney General W.A. Drew Edmondson and the National Association of Attorneys General, Reynolds set forth a revised advertising placement policy, stating that with regard to publications in which it runs advertising, it would not advertise in publications whose youth readership was 33 1/3% or more of the publication's readership, according to reported audience measurement data. A copy of said letter is attached as Exhibit B to this Complaint and incorporated by reference.

12. While such policy approves of and adopts the concept of making advertising placement decisions based on accepted industry audience measurement surveys, in fact Reynolds' new policy did not cause it to remove its advertising from any publications with a substantial youth readership, in which it was then advertising. In contrast to Reynolds, the other three tobacco companies which, along with Reynolds, are Original Participating Manufacturers ("OPM's") under

the MSA (Philip Morris, Inc., Brown & Williamson Tobacco Co., and Lorillard Tobacco Co.) and which are subject to and bound by the terms of the Consent Decree and MSA, have modified their advertising placement policies in a manner which has resulted in their removal of advertising for their cigarette brands from a number of magazines with a substantial youth readership.

13. The People allege on information and belief that the revised policy set forth in Mr. Blixt's letter of June 16, 2000 (Exhibit B) constitutes Reynolds' current ad placement policy. In view of the fact that youth ages 12-17 represent 8.57% of the total U.S. population and 8.23% of the total California population according to the U.S. Census Bureau, Reynolds' policy permits it to place advertising for its cigarette brands in publications whose measured youth readership (i.e., readers ages 12-17) is about four times the percentage of 12-17 year-olds in the general and California populations. This policy does not limit Reynolds' advertising in publications whose total number of youth readers exceeds any particular number, nor does it restrict Reynolds from exposing millions of youths, including the vast majority of California youth, to its cigarette advertising. In fact, Reynolds' policy, when combined with the large number of placements of its advertising in publications with high youth readerships, ensures that millions of youth are exposed to its advertising.

14. Since entry of the Consent Decree and approval of the MSA, Reynolds has placed and continues to place a large amount of advertising for its cigarette brands in many publications with a substantial number of youth readers, thus exposing millions of youth to its advertising, and exposing youth to that advertising many times. For example, according to a recent study by the American Legacy Foundation, during 1999 the percentage of youth ages 12-17 reached by Reynolds' ads for its three leading brands five or more times are: Winston — 95%, Camel — 86%, Doral — 85%. Further, in 1999 and 2000, Reynolds placed an estimated 114 ads for its Camel, Winston, and Doral brands in *Sports Illustrated*, a weekly magazine that had 4,961,000 youth readers (ages 12-17) and whose youth readership (age 12-17) comprised 17.3% of its total readership, according to the 1999 MRI TwelvePlus Study.

15. Notwithstanding Reynolds' claim that the target audience for its Camel and Winston brands is adult smokers ages 21-34 and for its Doral brand is adult smokers age 35+, Reynolds' ad

placements in 1999 and 2000 in magazines with measured youth readerships expose youths to advertising for these brands to virtually the same extent as they expose adult target smokers.

16. In 1999 and 2000, Reynolds placed advertising for its cigarette brands in at least 22 magazines whose youth readership (ages 12-17) exceeded 15% of the magazine's total readership, as measured by MRI and/or Simmons: *Vibe*, *Allure*, *Spin*, *Hot Rod*, *Skiing*, *Sporting News*, *Rolling Stone*, *Car Craft*, *In Style*, *Marie Claire*, *Guns & Ammo*, *US*, *Motor Trend*, *Road & Track*, *Entertainment Weekly*, *Outdoor Life*, *True Story*, *Vogue*, *Sports Illustrated*, *Premiere*, *Car & Driver*, and *Jet*. In addition, Reynolds placed advertising for its cigarette brands in nine other measured magazines whose youth readership was between 10% and 15% of the total readership: *Essence*, *Popular Mechanics*, *Glamour*, *Elle*, *Mademoiselle*, *GQ*, *Star*, *Soap Opera Digest*, and *Cosmopolitan*.

17. In 1999 and 2000, Reynolds placed advertising for its cigarette brands in at least six magazines with more than two million youth readers (ages 12-17), as measured by MRI and/or Simmons: *Vibe*, *Hot Rod*, *Rolling Stone*, *Sports Illustrated*, *TV Guide*, and *People*. In addition, Reynolds placed advertising for its cigarette brands in twenty other magazines whose youth readership was between one million and two million youth readers: *Allure*, *Spin*, *Sporting News*, *In Style*, *Guns & Ammo*, *Motor Trend*, *Road & Track*, *Entertainment Weekly*, *Outdoor Life*, *Vogue*, *Car & Driver*, *Jet*, *Essence*, *Popular Mechanics*, *Glamour*, *Cosmopolitan*, *Field & Stream*, *Time*, *Better Homes & Gardens*, and *National Enquirer*.

18. The People allege on information and belief that Reynolds knows and understands that its practice of placing large numbers of ads for its cigarette brands in magazines with substantial youth readerships exposes very large numbers of youth to its advertising, and is or should be aware of the likely number and percentage of readers in the 12-17 age group that its advertising will reach and the frequency with which its advertising will be seen by youth ages 12-17. For example, applying standard reach and frequency analysis, advertising for Reynolds' cigarette brands in 2000 in magazines which measure youth readership reached approximately 95% of youth ages 12-17, and reached them an average of fifty times during the year.

///

///

1 19. The People allege on information and belief that it is possible to design media
2 placement plans and schedules that effectively reach Reynolds' stated adult target audiences and at
3 the same time minimize and significantly reduce youth exposure to its cigarette advertising, and that
4 the other OPM's have taken steps to reduce youth exposure by removing their advertising from
5 magazines with a substantial youth readership. Reynolds, however, refuses to do so.

6 20. The Attorney General of California and the Attorneys General of other states which
7 are also parties to the MSA have informed Reynolds of their belief that Reynolds' advertising
8 placement policies and practices violate the Consent Decree and the MSA and have requested that
9 Reynolds modify its policies and practices to reduce youth exposure to its advertising. Reynolds has
10 failed and refused, however, to take any significant steps to modify its advertising placement policies
11 or practices in order to reduce or limit youth exposure.

12 21. On February 16, 2001, the Attorney General of California and the Attorneys General
13 of the states of Alaska, Arizona, Connecticut, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine,
14 Maryland, Michigan, North Dakota, New Mexico, New York, Oklahoma, Oregon, Pennsylvania,
15 Utah, Vermont, Washington, Wisconsin, and the territory of Guam gave Reynolds a written 30-day
16 notice pursuant to section VII(c)(2) of the MSA of the intent to initiate proceedings concerning
17 Reynolds' violations of the MSA's prohibition on youth targeting in the advertising, promotion, or
18 marketing of tobacco products. A copy of said notice is attached as Exhibit C to this Complaint and
19 incorporated by reference. On March 5, 2001, the Attorney General of California and the Attorneys
20 General of several other states gave Reynolds a cease and desist demand pursuant to section VI.A
21 of the Consent Decree. A copy of said demand is attached as Exhibit D to this Complaint and
22 incorporated by reference.

23 **FIRST CAUSE OF ACTION**

24 **Violations of the Consent Decree and the MSA**

25 22. The People reallege and incorporate herein by reference paragraphs 1 through 21,
26 inclusive, as though fully set forth herein.

27 ///

28 ///

23. Section V.A of the Consent Decree permanently enjoins Reynolds from "[t]aking any action, directly or indirectly, to target Youth within the State of California in the advertising, promotion or marketing of Tobacco Products."

24. Section III(a) of the MSA prohibits Reynolds from "taking any action, directly or indirectly, to target Youth within any Settling State in the advertising, promotion or marketing of Tobacco Products."

25. Reynolds' policy and practice of placing advertising for its cigarette brands in magazines with a substantial youth readership and using advertising placement plans and/or schedules with large numbers of ad placements in such magazines, thereby exposing very large numbers of youth to said advertising, constitutes action to target youth, whether directly or indirectly, in the advertising, promotion, or marketing of its cigarette brands, in violation of the Consent Decree and the MSA.

26. As set forth in paragraphs 20 and 21, the People through the Attorney General have made repeated demands that Reynolds change or modify its advertising practices to reduce or limit youth exposure to advertising for its cigarette brands. Unless this Court enters appropriate relief restraining the above-described violations, Reynolds will continue to target youth in its advertising placement practices.

WHEREFORE, the People respectfully pray that this Court grant the following relief:

1. Issue an Order finding and declaring that Reynolds' advertising placement policies and practices are in violation of the prohibition against targeting youth, whether directly or indirectly, in the advertising, promotion or marketing of Tobacco Products, as set forth in section V.A of the Consent Decree and section III(a) of the Master Settlement Agreement;

2. Enter an Enforcement Order permanent enjoining Reynolds, and its successors, agents, representatives, employees, and all persons acting in concert with Reynolds, from adhering to advertising placement policies and/or engaging in advertising placement practices that violate section V.A of the Consent Decree and section III(a) of the Master Settlement Agreement;

///

///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

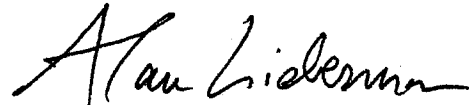
3. Enter an Order for monetary sanctions and for civil contempt;
4. Grant the People reasonable attorneys' fees and costs incurred in this proceeding pursuant to Consent Decree section VI.D;
5. Grant such other and further relief as the Court deems just and proper.

Dated: March 19, 2001

BILL LOCKYER
Attorney General of the State of California

RICHARD M. FRANK
Chief Assistant Attorney General

DENNIS ECKHART
Senior Assistant Attorney General



ALAN LIEBERMAN
LAURA KAPLAN
KAREN LEAF
Deputy Attorneys General
Attorneys for Plaintiff

EXHIBIT A



VIA TELECOPY AND USPS
(614) 466-5087

GUY M. ELYNN
Vice President and
Deputy General Counsel

P.O. Box 2958
Winston-Salem, NC 27102
336-741-7508
Fax: 336-741-7596

December 10, 1999

The Honorable Betty D. Montgomery
Office of the Attorney General
State Office Tower
30 E. Broad Street - 17th Floor
Columbus, Ohio 43215-3428

Dear General Montgomery:

I write on behalf of Lynn Beasley, Chuck Bixt, Rick Sanders, Steve Strawsburg and myself to thank you for the courtesies which you and the other representatives of the NAAG Tobacco Committee extended during our meeting in Winston-Salem. It seems clear to me that continued communication and good-faith give and take will be the keys to achieving satisfactory results in matters relating to the Master Settlement Agreement.

During our meeting, a number of issues were raised with the result that it was incumbent upon us to respond to you by way of follow-up. After much consideration, we do so now.

Newspaper Bags - You continued to express the belief that, generally, newspaper bags constitute a form of outdoor advertising prohibited by the MSA and that, in particular, the dog execution used on such bags for our Doral brand constituted a cartoon.

Without prejudice, we would undertake not to use the dog execution on newspaper bags in the future. This would require us to destroy a substantial number of those bags we have in inventory. However, we cannot voluntarily forfeit newspaper bags as a medium for us to use to communicate with adults who smoke. When and if this medium is used in the future, we will take care to ensure that it bears messages presented in such a way that no one could argue that they embodied or constituted a cartoon.

52086 1302

The Honorable Betty D. Montgomery
December 10, 1999
Page Two

Please note that our undertaking regarding the dog execution would be limited to its use on newspaper bags. We continue to believe that the "Imagine Getting More" campaign in no way violates the MSA, and that newspaper bags most assuredly are not a medium of outdoor advertising.

Matchbooks - The matchbooks on which we advertise are no different in nature than the other forms of print media, e.g. magazines and newspapers, in which we advertise. They are to be contrasted with promotional matchbooks which we (and others in our industry) formerly distributed through programs such as "Camel Cash," but which we now have ceased distributing.

The matchbooks on which we currently purchase space are traditional advertising media marketed by a company totally independent of us and sold for retail distribution to purchasers totally independent of us. We pay for the advertising space on the basis of expected circulation, just as we do with respect to magazines and newspapers.

This is different than promotional matchbooks, which we employed until the MSA became effective. These matchbooks were produced for us and distributed by us. There was no circulation guarantee; we bought the entire matchbook, not just the advertising space.

Under these circumstances, we are not prepared to forego this medium.

Print Media - As we explained, it is our policy to include advertisements for our brands in print media which appeal primarily to those over the age of 21. We further have explained that we review not only the "readership" demograph data from the surveys which are available but also review the editorial and advertising content of the publication before we place advertising in a publication. Because we choose 21, not 18, as the median age for our choices there should be no disagreement about the adult nature of the publications in which we advertise. If the median age of the "readership" of a publication is over 21 but approaches 21, it is likely that a significant percentage of those "readers" are between 18 and 21. Conversely, considerably less than 50% of the "readership" is likely to be below 18.

I have placed quotation marks around the various forms of the word "reader" in this letter because the measures of "readership" currently in wide use really measure whether an individual "has seen" the publication rather than, in any meaningful way, whether the individual has "read" it.

5:02p 1/10/1

The Honorable Betty D. Montgomery
December 10, 1999
Page Three

For your information, we were part of a group which spent considerable time with the Food and Drug Administration investigating whether there were better ways to ascertain the demographics of those who spend some significant amount of time with a publication so that it could be said with greater confidence that a "reader" actually saw something besides the front cover of a publication. Better methodologies can be formulated and we believe that, if they were used, it would result in an aging of the "readership" of many publications.

As a result, we are unwilling to preclude ourselves from advertising in publications which have more than a certain number of "readers" who are under 18 years of age when that number is less than 50% of the "readers." This would preclude us from one or more of the most popular publications, even if their "readership" overwhelmingly was adult - a result which would damage us competitively and unacceptably oust us from one of the remaining media through which we can communicate with adults who smoke.

During our meeting, you asked several factual questions:

- Do we pay to have our ads placed in particular locations in publications?

RJRTC sometimes pays a premium for so-called "Franchise Positions" in a publication. Franchise Positions, such as the back cover, the inside of the front cover (the "second cover"), and the inside of the back cover (the "third cover") are more expensive than other locations in a publication. However, Franchise Positions generally are not available to everyone who wants to pay for them. Usually, a publication offers an available Franchise Position to a particularly good advertiser or other criteria established by the publication. If the advertiser purchases the Franchise Position, it retains the right to purchase that position annually in the same edition (e.g. March) of the publication until it gives up that right. RJRTC will purchase back covers and second covers, but will not pay an upcharge for the third cover.

The Honorable Betty D. Montgomery
December 10, 1999
Page Four

- Could we pay to have our ads not placed in particular locations in publications?

We do request that all publications avoid placing our ads in certain positions of the publication (e.g. within six pages of other tobacco advertising). Another such criterion asks that publishers avoid placing our advertisements near "antithetical editorial or advertising." I am advised that publications generally understand that pursuant to this request our ads should not be placed near editorial material which would appeal particularly to children. However, we have no real ability to enforce these requests, except by withholding future placements in a publication which does not honor our requests. This is something which we reserve the right to do, but which we are unwilling to commit to do in every case someone might bring to our attention.

- Can we avoid advertising in publications which have a large percentage of readers who are less than 18 years of age?

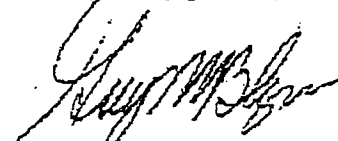
We already do (see above).

- Can we avoid advertising in publications which have a large number of readers who are less than 18 years of age even if this large absolute number is only a small percentage?

We could, but will not (see above).

We note General Edmondson's letter of July 30, 1999 regarding *inter alia* the Camel "Mighry Tasty" exceptions. We believe we discussed that problem adequately during our meeting. If you disagree, please let us know.

Very truly yours,



Guy M. Blynn

cc: The Honorable W.A. Drew Edmondson
Mary Woolsey Schlasfer, Esq.
Ms. Lynn J. Beasley
Charles A. Buxi, Esq.
Mr. Richard M. Sanders
Mr. Stephen R. Strawsburg

32280 0305

EXHIBIT B



Via Facsimile (202) 408-8064 and Regular U. S. Mail

CHARLES A. BLIXT
Executive Vice President
and General Counsel

Winston-Salem, NC 27102
336-741-0673

June 16, 2000

The Honorable W. A. Drew Edmondson
National Association of Attorneys General
750 First Street N.E., Suite 1100
Washington, DC 20002

Dear General Edmondson:

As was requested during the meeting yesterday in Phoenix, this letter sets forth R. J. Reynolds Tobacco Company's policy with regard to the publications in which it runs advertising.

In providing the current statement, we note that this has been the subject of dialog between us and the Tobacco Committee since nearly the outset of the MSA. We enclose copies of our letter of February 15, 1999, to Christine Gregoire and of December 10, 1999 to Betty D. Montgomery.

We exercise great care in selecting the publications in which we advertise. We listen carefully to what you and your colleagues say at meetings and elsewhere. And, while on the issue as it presently presents itself we may have to disagree, our position on this issue and, therefore, our policy has changed over time. This should be obvious when you compare the contents of our December 10 letter with what is set forth below.

Our present policy is as follows:

Reynolds Tobacco is committed to responsibly marketing its products to adults who choose to smoke. Common sense tells us that further reducing "the profile of

"We work for smokers."

tobacco advertising" will not impact the youth smoking issue, but will absolutely have enormous impact on our ability to communicate with and compete for adult smokers.

In terms of advertising and marketing, cigarettes are the most restricted consumer product in our society. In addition to federal, state and local laws, the Master Settlement Agreement (MSA) banned and restricted many forms of advertising and marketing, including billboards, sponsorships and branded merchandise. Magazine advertising is permitted by the MSA, as long as it complies with the overall provision that no cigarette advertising can directly or indirectly target youth. Our use of magazine advertising is well within the terms of the MSA.

Absent banning cigarette advertising altogether, some children will see tobacco ads in magazines, just as they will see advertising for many other age-restricted products. That does not mean that we are marketing to children or that it will cause anyone - child or adult - to begin smoking. Study after study has shown that peer and family influences lead kids to smoke, not the appearance of cigarette advertising in magazines.

We do not and will not advertise in "kids" magazines. We do advertise to adult smokers in publications whose readership is predominantly adult. We use several criteria to help us select those publications:

1. We do and will only advertise in magazines of which at least two-thirds of the readership is 18 or older, according to reported audience measurement data.
2. We do and will analyze the editorial content of the publications over time to be sure the topics covered are of interest to predominantly adult audiences.
3. We do and will review the other advertisements which appear in those publications to ensure that most are for products which primarily are purchased by adults (e.g., cars, alcoholic beverages, etc.).
4. We do and will review such additional factors as the publication's circulation dynamics and method of distribution.
5. We do not and will not rely on subscription data to make placement decisions unless no other audience measure data is available.

The Honorable W. A. Drew Edmondson

June 16, 2000

Page 3

6. We do encourage and will participate in attempts to develop methodologies which would measure, in a meaningful way, who reads a publication as contrasted with who subscribes to it or who looks at or into it in a cursory way.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles A. Blixt". The signature is fluid and cursive, with the first name "Charles" being more legible than the last name "Blixt".

Charles A. Blixt

CAB/dw

EXHIBIT C



1300 I STREET, SUITE 125
P.O. BOX 944255
SACRAMENTO, CA 94244-2550

Telephone: 916-323-3770
Facsimile: 916-323-0813
E-Mail: eckhard@hdcdojnet.state.ca.us

February 16, 2001

Via Facsimile Transmission and Overnight Delivery

Charles A. Blixt
Executive Vice-President and General Counsel
R.J. Reynolds Tobacco Company
401 North Main Street
Winston-Salem, NC 27102

RE: Notice of Intent to Initiate Enforcement Proceedings Concerning Youth
Targeting by Advertising Placement Practices

Dear Mr. Blixt:

This letter is a 30-day notice pursuant to Section VII(c)(2) of the Master Settlement Agreement ("MSA") to initiate proceedings against R.J. Reynolds Tobacco Company for violating the provisions of the Consent Decree and the MSA which prohibit targeting youth in the advertising of tobacco products. This notice is sent on behalf of California and the states of Alaska, Arizona, Connecticut, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, North Dakota, New Mexico, New York, Oklahoma, Oregon, Pennsylvania, Utah, Vermont, Washington, Wisconsin and the territory of Guam. Section V.A. of the Consent Decree and Section III(a) of the MSA prohibit Participating Manufacturers from taking "any action, directly or indirectly, to target Youth . . . in the advertising, promotion or marketing of Tobacco Products." We believe that Reynolds' policy and practice of placing tobacco advertisements in publications with a significant youth readership constitutes action to target youth in violation of the Consent Decree and the MSA.

Our investigation shows that in 1999 and 2000, Reynolds has placed ads for Camel, Winston and other brands of cigarettes in publications with a substantial youth readership. These publications include *Spin*, *Sporting News*, *Rolling Stone*, *Entertainment Weekly*, and a number of other magazines whose readership by persons between the ages of 12 and 17 exceeds 15% according to the nationally syndicated 1999 and 2000 "MRI TwelvePlus Studies" and the 2000 Simmons Spring NCS Survey. In addition, a number of the magazines in which Reynolds places its ads reach a very high number of youth readers, including *TV Guide*, *Sports Illustrated*, and *People*, which have youth readership levels of near or above three million according to the above-mentioned surveys.

Our research and analysis, as well as recent studies by the Massachusetts Department of Public Health and the American Legacy Foundation, confirm that Reynolds has in fact increased the level of advertising in youth-oriented publications and the amount of youth exposure to its ads since the signing of the MSA. Further analysis based on Reynolds' advertising in 2000 confirms that Reynolds' ad placement practices continue to expose an unacceptably large number of youth to its tobacco advertising.

Such high levels of youth exposure are an inevitable and direct result of Reynolds' stated policy concerning ad placement. In your June 16, 2000, letter to Attorney General Drew Edmondson, you stated that it is Reynolds' policy to place ads in magazines in which up to one-third of the readership is under 18. Although several other major tobacco companies have shown a willingness to take some purposeful steps to reduce youth exposure to their tobacco ads, Reynolds has refused to limit in any meaningful manner its advertising in publications with significant youth readerships.

Representatives of a number of state Attorneys General have informed Reynolds on several occasions, most recently at a meeting in Washington, D.C., on November 10, 2000, of their belief that Reynolds' policy and practice of placing ads in publications with a substantial youth readership violates the youth targeting proscriptions of the Consent Decree and the MSA. At the Washington meeting, the Attorney General representatives noted that by using the syndicated data Reynolds already uses to determine ad placement, Reynolds could (1) identify publications which reach both a substantial number of readers in its brands' purported target groups (e.g., adult smokers, age 21-34) and fewer youth readers, and (2) create media plans that would continue to expose large numbers of the intended target group(s) to its ads while significantly decreasing youth exposure. Reynolds has rejected this suggestion.

We remain willing to continue to discuss these matters with you. However, please be advised that unless we are able to reach a prompt and satisfactory resolution of these important issues, some or all of the States joining this notice intend to initiate and/or support the initiation of an action in an appropriate MSA-designated court to obtain judicial relief for Reynolds' violations of Section V.A of the Consent Decree and Section III(a) of the MSA.

Sincerely,



DENNIS ECKHART

Senior Assistant Attorney General

For BILL LOCKYER
Attorney General

Honorable Bruce M. Botelho
Attorney General of Alaska

Honorable Janet Napolitano
Attorney General of Arizona

Honorable Richard Blumenthal
Attorney General of Connecticut

Honorable John F. Tarantino
Attorney General of Guam

Honorable Earl I. Anzai
Attorney General of Hawaii

Honorable Alan G. Lance
Attorney General of Idaho

Honorable Tom Miller
Attorney General of Iowa

Honorable Carla J. Stovall
Attorney General of Kansas

Honorable Richard P. Ieyoub
Attorney General of Louisiana

Honorable Steve Rowe
Attorney General of Maine

Honorable J. Joseph Curran Jr.
Attorney General of Maryland

Honorable Jennifer Granholm
Attorney General of Michigan

Honorable Wayne Stenehjem
Attorney General of North Dakota

Honorable Patricia Madrid
Attorney General of New Mexico

Honorable Eliot Spitzer
Attorney General of New York

Honorable Drew Edmondson
Attorney General of Oklahoma

Honorable Hardy Meyers
Attorney General of Oregon

Honorable D. Michael Fisher
Attorney General of Pennsylvania

Honorable Mark Shurtleff
Attorney General of Utah

Honorable William H. Sorrell
Attorney General of Vermont

Honorable Christine O. Gregoire
Attorney General of Washington

Honorable James E. Doyle
Attorney General of Wisconsin

cc: Attorneys General of the Settling States
Participating Manufacturers
Mark Greenwold, NAAG Tobacco Counsel

EXHIBIT D



1300 I STREET, SUITE 125
P.O. BOX 944255
SACRAMENTO, CA 94244-2550

Telephone: 916-323-3770
Facsimile: 916-323-0813
E-Mail: eckhard@hdcdojnet.state.ca.us

March 5, 2001

Via Facsimile Transmission and Overnight Delivery

Charles A. Blixt
Executive Vice President and General Counsel
R.J. Reynolds Tobacco Company
401 North Main Street
Winston-Salem, NC 27102

RE: Cease and Desist Demand Concerning Youth
Targeting by Advertising Placement Practices

Dear Mr. Blixt:

This letter constitutes a cease and desist demand pursuant to Section VI.A of the Consent Decree and Final Judgment ("Consent Decree") on the part of the Attorneys General of California, Alaska, Arizona, Connecticut, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, North Dakota, New Mexico, Oklahoma, Oregon, Pennsylvania, Utah, Vermont, Washington, and Wisconsin and the Territory of Guam, setting forth the intention of some or all of the states to initiate proceedings for an order to enforce Section V.A of the Consent Decree against R.J. Reynolds Tobacco Company ("Reynolds"). As set forth in more detail in the 30-day notice sent to Reynolds on February 16, 2001, which is incorporated herein by reference, we believe that Reynolds' policies and practices in placing advertising for its cigarette brands in publications with a substantial youth readership constitute action to target youth in violation of the Consent Decree and the MSA.

Sincerely,

DENNIS ECKHART
Senior Assistant Attorney General

For BILL LOCKYER
Attorney General

Honorable Bruce M. Botelho
Attorney General of Alaska

Attorney General of Arizona

Honorable Richard Blumenthal
Attorney General of Connecticut

Honorable John F. Tarantino
Attorney General of Guam

Honorable Earl I. Anzai
Attorney General of Hawaii

Honorable Alan G. Lance
Attorney General of Idaho

Honorable Tom Miller
Attorney General of Iowa

Honorable Carla J. Stovall
Attorney General of Kansas

Honorable Richard P. Ieyoub
Attorney General of Louisiana

Honorable Steve Rowe
Attorney General of Maine

Honorable J. Joseph Curran Jr.
Attorney General of Maryland

Honorable Jennifer Granholm
Attorney General of Michigan

Honorable Wayne Stenehjem
Attorney General of North Dakota

Honorable Patricia Madrid
Attorney General of New Mexico

Honorable W.A. Drew Edmondson
Attorney General of Oklahoma

Honorable Mark Shurtleff
Attorney General of Utah

Honorable William H. Sorrell
Attorney General of Vermont

Honorable Christine O. Gregoire
Attorney General of Washington

Honorable James E. Doyle
Attorney General of Wisconsin

cc: Attorneys General listed above
Mark Greenwold, NAAG Tobacco Counsel