

THE TOBACCO INSTITUTE, INC.
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HORACE R. KORNEGAY
PRESIDENT & EXECUTIVE DIRECTOR

September 7, 1971

CONFIDENTIAL

Mr. Joseph F. Cullman, III
Chairman of the Board
Philip Morris Incorporated
100 Park Avenue
New York, New York 10017

Dear Joe:

I am enclosing for your information a Confidential report from Bill Kloepfer to me on the meeting with Dr. Howard of the AMA. This meeting took place in Chicago last Friday morning, September third.

In view of the fact that a matter or two came to light in the meeting which you have not considered, after looking over Bill's report please let me have any additional thoughts you might have.

With warmest personal regards and best wishes, I am

Sincerely yours,



Horace R. Kornegay

HRK:pc

Enclosure

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PLAINTIFF'S
EXHIBIT
1327
ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

September 3, 1971

MEMORANDUM

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TO: Horace R. Kornegay

FROM: William Kloepfer, Jr.

SUBJ: Report on meeting at AMA re ERF tobacco program

According to Dr. Howard, AMA's executive director with whom I met today at Ted Braun's request, AMA is not prepared to make any statement regarding termination of the smoking-health research program, knows of no statement which would not further damage the images of both itself and the tobacco industry, and is under no internal pressure to make any move at this time in the matter.

At nine a.m. today, an hour before our meeting with Howard and the AMA p.r. director, Frank Campion, Braun told me that our purpose in seeing Howard was to notify him that the "executive committee" had rejected a recommendation that surplus ERF tobacco funds be earmarked for "minority group" medical student support.

Braun told me this recommendation had come from Dr. Kernodle, vice-chairman of the AMA (and ERF) board of trustees. He said he recently discussed the entire situation (prior to the last meeting of the TI executive committee) with Howard and Kernodle in a three-way phone conversation. One result of that was, Braun said, that Kernodle was to discuss the whole situation with you prior to the New York meeting.

Howard's response to Braun's notification this morning was that the funds would therefore be used by ERF to continue supporting already approved projects. (The current letter of agreement from the companies to AMA evidently stipulates

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that in no event are any funds to be returned to the contributors.) As to how much money is at stake: Howard gave Braun a written accounting, which Braun has kept, showing 1) that the residual fund now amounts to \$1.3-odd million and 2) that except for Brown and Williamson, all the participating companies are in arrears on 1970 contributions--in each case a six-figure amount, with RJR the highest at more than \$600,000. Howard said AMA will refund B & W's 1970 payment of some \$270,000 if B & W wishes, from the current \$1.3 million balance.

Howard made it clear that ERF does no research other than that funded by tobacco companies, that there is no basis for and will not be any AMA announcement that it is ending "all its research programs," and that its announcement last year of the closing of its internal research institute has no connection with the present matter. (After the meeting Braun told me that Howard previously said the termination of this program would be in the context of AMA ending "all" research activities; he said Howard has changed his view on this. However, we of the staff have kept very close track of all AMA-ERF reports, and have never seen any indication of research projects other than smoking and health.)

Howard further indicated that if the cigarette companies wish to cancel their current commitment, he would like to have a suitable letter to that effect.

Howard said he regards the program as a great liability--that from AMA's view it has only caused further blackening of AMA's image. He said from the industry's standpoint the research has produced no evidence to clear cigarettes from the generally accepted conclusion that they cause "lung carcinoma" and other maladies. He said he thought the latter point would be widely reported as the reason the industry decided to terminate the program, regardless of what is said by either party about it. Howard also made these points:

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1. He is most anxious to avoid any incident which will create displeasure with AMA among tobacco area Congressmen--he said AMA needs their support urgently.
2. He is told that 85% of the ERF research with tobacco funds has been "useful basic research" but that through neglect by all concerned no effort has really been made to impress anyone in or out of AMA with this.
3. There will be a "national meeting in October" of the ERF grantees, similar to those held in San Francisco in 1968 and Scottsdale in 1970, and he does not at this time propose to cancel the meeting. (It has been our understanding that the next meeting of the grantees was to be held in 1972--it may be that Howard is mistaken about this.)
4. He will inform only Kernodle of this morning's discussion, and Campion will discuss it with no one.
5. He does not now intend to remind the four companies with respect to their arrears.
6. He and Campion, as well as ourselves, should continue to consider what might be done, and what response might be made if there is any unlikely leak over the current discussions.

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