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PAC

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*The Philip Morris  
Political  
Action Committee* PHIL  
PAC

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*Philip Morris  
Political Action Committee*

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## Introduction

At Philip Morris we are proud of our quality products and our quality people. Together they make our company a leader among corporations in America. We think of ourselves as a corporate family, and as such we are committed to the well-being of our shareholders, our employees, our customers, and the well-being of the economic system of which we are a part. As a legitimate business—developing, producing, and marketing our products in a free enterprise economy—we have been able to meet these commitments and to grow and prosper.

But what would happen if our markets were denied us? This relationship would break down. We would not be able to meet our commitments, and we would no longer be a successful corporate enterprise. As you know, there are those who want laws that would limit the use of many of our products. There are those who would tax many of our products beyond the ability or the desire of our customers to purchase them. There are those who would so burden and restrict our operations that we could no longer be a profitable business. As a matter of fact, there are even those who would like to see us out of business.

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*Political  
Participation  
at Philip Morris*

*The threat of this kind of regulation is not limited to our industry. All business exists today in an atmosphere of broad government regulation. While reasonable men can argue about the merits and the specifics of these regulations, it cannot be denied that they have a substantial impact on all our businesses. Ultimately, then, we have an obligation to the shareholders for whose investment we are responsible, as well as to the other members of the corporate family, to involve ourselves in the fair development of these regulatory plans. To ignore this responsibility would be a violation of this trust relationship.*

*Our efforts to remain a viable corporation, and to continue to provide those things to our shareholders, our customers, our employees, and our communities which we have provided in the past, are dependent upon the political fabric of our country. We are dependent upon a legal system which permits us to carry on our business. For this reason it is imperative that we use every lawful means at our disposal to help our elected representatives realize and understand what is necessary to insure the survival of that system. Greater political participation is the most effective way to accomplish this.*

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*Philip Morris has always taken pride in being a good corporate citizen. Our charitable contributions, our community programs, our educational grants, and our involvement in the arts all highlight our efforts to make our country a better place in which to live. The same attitude applies to our participation in the political process. We have always encouraged our employees to play an active role in the political parties and campaigns of their choice. Now, such participation is more important than ever. We find ourselves in the midst of a political battle, a battle not of our own choosing, but a battle we cannot afford to lose.*

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*Political  
Participation  
at Philip Morris*

Philip Morris has developed and helped to develop many programs which make it easy for our employees to participate in the political process. In cooperation with the Tobacco Institute we have played a significant role in designing and implementing the Tobacco Action Network, an industry-wide plan for state and local political involvement. At Philip Morris, our Voter Involvement Program enables our employees who wish to register to vote to do so with a minimum amount of effort. VIP also serves as a voter education program and a campaign volunteer recruitment system. Information regarding candidates is disseminated to Philip Morris employees, and those who wish to volunteer are placed in contact with local campaign organizations. Employees are encouraged to participate.

However, federal law now permits an even more direct means of corporate political involvement. The Federal Election Campaign Act allows corporations, along with labor unions and other civic organizations, to form political action committees (PAC's). Establishment of such a committee enables a corporation to become involved in several political practices. Through a PAC, a corporation can:

1. Solicit the views of candidates regarding issues important to the corporation and its industry.
2. Circulate these responses to all its employees.

3. Develop "Good Government Programs" for its employees.
4. Encourage its employees to vote for and support particular candidates.
5. Solicit political contributions from its executive and administrative ("exempt") employees and its shareholders.
6. Contribute to candidates and political parties.

As you can see, formation of a political action committee permits a corporation to engage in a significantly higher level of political activity.

*The Philip Morris  
Political  
Action Committee*

*Philip Morris has formed a political action committee (PHIL-PAC) for the primary purpose of soliciting political contributions from its executive and administrative ("exempt") employees and its shareholders, and distributing these contributions to candidates for public office. Government is the end product of the election process. GOOD government depends on the calibre of the candidates who are elected to office. We hope to help elect those who will speak out and vote for the kind of good government that will allow all of us—and all Americans—to make a fair and decent living.*



It takes a great deal of money to organize a campaign and disseminate a candidate's views. Over \$40 million was spent by the two major candidates in the last Presidential election. And that only includes money spent after the national party conventions. In many states candidates for the U.S. House must raise in excess of \$100,000, and Senate candidates more than \$500,000, in order to have a chance at victory. The law no longer allows candidates for political office to depend on a few large contributions to finance their campaigns. This is as it should be, but it takes a lot of small contributions to build an effective campaign. This is where PHIL-PAC can help.

Philip Morris has registered PHIL-PAC with the Federal Election Commission, the agency created by Congress to oversee the federal electoral process. Once a sufficient amount of money has been received, contributions may be made by PHIL-PAC to selected federal candidates. The law allows a maximum contribution of \$5,000 to each candidate, but there is no limit on the number of candidates who may receive contributions. The officers of PHIL-PAC will determine which candidates will receive contributions. These officers are appointed to one-year terms by the Philip Morris Incorporated Committee on Public Affairs and Social Responsibility of the Board of Directors.

All contributions from employees and shareholders to PHIL-PAC must be voluntary. The Federal Election Campaign Act is very explicit on this point, and any funds collected by involuntary means, or by coercion, may not be used by the PAC. The identity of any contributor and the amount and nature of any contribution to PHIL-PAC will be strictly confidential, and will be known only to the officers of the PAC. The PAC is, however, required to report to the Federal Election Commission the names of contributors of more than \$100 a year. Employee and shareholder contributions will be used primarily for distribution to selected candidates, and will not be used for the administrative expenses of the PAC.

### *How You Can Participate*

As a Philip Morris employee, you may participate in PHIL-PAC in one of two ways. You can make a direct contribution by writing a personal check payable to PHIL-PAC, or you can authorize a payroll deduction to PHIL-PAC. Complete the card on the back page of the brochure, attach your personal check, or check-off the payroll deduction authorization. Please be sure to fill in all the information contained on the card. Then place the material in the inter-office mail addressed to PHIL-PAC. You may, of course, make additional contributions by check whenever you wish.

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How much you contribute is entirely up to you. PHIL-PAC suggests one-half of one percent of your annual salary (\$50 if your salary is \$10,000; \$100 if your salary is \$20,000). Again, this is only a suggestion. There is no minimum amount you must contribute. There is, however, a maximum. The PAC cannot accept an individual contribution of more than \$5,000 in any calendar year.

Your contribution to PHIL-PAC is tax deductible on your federal return to a limited extent. You have two options. You may deduct up to \$100 (\$200 if you file a joint return) on your income tax return or you may take a tax credit of up to \$25 (\$50 on a joint return). If you take the tax credit, it can be no more than one-half of all political contributions which you make during the year, or \$25 (\$50 on a joint return), whichever is less.

*Questions  
and Answers  
About the  
Philip Morris  
Political  
Action Committee  
(PHIL-PAC)*

1. Q. *Who may contribute to PHIL-PAC?*

A. Executive and administrative ("exempt") personnel and their families who are citizens of the United States or resident aliens. Shareholders may also contribute.

2. Q. *Does anyone have to contribute?*

A. No. Contributions to PHIL-PAC are entirely voluntary. Federal laws make it illegal to coerce anyone into contributing. An employee's decision not to contribute will not result in any job discrimination or financial reprisal.

3. Q. *If you choose to participate, how much should you contribute?*
- A. It is entirely up to you. There is no minimum amount. There is a maximum set by law, and that is \$5,000. PHIL-PAC suggests, only for your consideration, one-half of one percent of your annual salary. This is only a suggestion.
4. Q. *Will anyone know how much an employee contributes?*
- A. Except for federal reporting requirements, the identity of any contributor and the amount and nature of any contribution shall be strictly confidential and shall be known only to the officers of PHIL-PAC.
5. Q. *How does someone contribute?*
- A. Use the card on the back page to indicate the amount and nature of your contribution. If you write a personal check, attach it to the card. Send the card to PHIL-PAC through inter-office mail.
6. Q. *How will contributions be used?*
- A. All money received by PHIL-PAC from employees and shareholders will be used for political purposes. None of the money will be used to defray the administrative expenses of the PAC.
7. Q. *Will contributions be made to candidates of all political parties?*
- A. PHIL-PAC is not affiliated with any political party. A candidate's

party will not be taken into consideration when making contributions from the PAC.

8. Q. *Who will determine which candidates will receive contributions?*

A. The selection of candidates to receive contributions and the amount of the contributions will be made by the officers of PHIL-PAC. The officers are appointed to one-year terms by the Philip Morris Incorporated Committee on Public Affairs and Social Responsibility of the Board of Directors.

9. Q. *Which candidates will be eligible for contributions?*

A. Only candidates for federal office—President, U.S. Senate and U.S. House of Representatives—will be eligible. Candidates for state and local offices—such as Governor, Sheriff, or State Representative—will not be eligible.

10. Q. *What will be the criteria for candidate selection?*

A. The primary criteria will be: 1.) the candidate's ability to render effective public service in the office he is seeking; and 2.) the candidate's known position and record on issues important to Philip Morris and the free enterprise system.

11. Q. *Does contributing through the PAC preclude someone from also contributing directly to a candidate?*
- A. No. We encourage you to contribute directly to candidates of your choice if you wish, but we believe that contributing through PHIL-PAC has several advantages.
12. Q. *What are the advantages of contributing through the PAC?*
- A. By joining with other employees through PHIL-PAC, your contribution will: 1) have greater impact; 2) reach more candidates; 3) send a clearer message to Congress; and 4) make candidates aware that Philip Morris is supporting them. PHIL-PAC will monitor federal elections in all states, a nearly impossible task for the individual contributor.
13. Q. *Will contributors be able to earmark or designate their PAC contributions for a particular candidate or party?*
- A. No. The earmarking of contributions would present many administrative problems. Therefore, funds collected by the PAC will be contributed to candidates selected by the officers.
14. Q. *Will contributors know where their money is going?*
- A. Yes. PHIL-PAC will issue periodic reports on its activities, including who received contributions, and in what amount.

EMPLOYEE CONTRIBUTION  
STATE AND LOCAL

(To be completed by employee  
and returned to the employer  
with the contribution check  
to the Internal Revenue Service,  
1111 North 17th Street,  
New York, N.Y. 10017)

My contribution is for the year  
ending 12/31/\_\_\_\_\_. I am contributing  
\$\_\_\_\_\_ per month/quarter/annually.  
I am contributing to the  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

My contribution is for the year  
ending 12/31/\_\_\_\_\_.

I am contributing to the  
\_\_\_\_\_  
\_\_\_\_\_

I am contributing to the  
\_\_\_\_\_  
\_\_\_\_\_

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Detach Contribution For  
and mail to:  
**PHIL-PAC**  
Philip Morris Incorporated  
100 Park Avenue  
New York, N.Y. 10017

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PHIL-PAC

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CUT

## EMPLOYEE CONTRIBUTION REMITTANCE ADVICE

(To be signed by each employee  
contributor for each contribution)

I contributed the amount shown below  
(overleaf) to the Philip Morris Political  
Action Committee (PHIL-PAC) on

\_\_\_\_\_ (date):

Prior to making this contribution:

- a) I was informed of my right to refuse to contribute without reprisal and my contribution was not made under duress, job discrimination, financial reprisals, or as any condition of employment.
- b) I was informed of the political purpose of PHIL-PAC.
- c) I was informed that a copy of the PHIL-PAC report is filed with, and available for purchase from, the Federal Election Commission.
- d) I was informed that (1) the guidelines for contributions are only suggestions, (2) I may contribute more or less than the guidelines, and (3) my contribution, or failure to contribute, will not result in any job discrimination or financial reprisal.

(More)

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My aggregate contributions during this calendar year do not exceed either \$5,000 to PHIL-PAC or \$25,000 for all Federal election contributions.

I am an American citizen or I have been admitted to permanent U.S. residence.

Please print all of the following information:

Full name \_\_\_\_\_

Resident Address \_\_\_\_\_  
\_\_\_\_\_

Business Address: \_\_\_\_\_  
\_\_\_\_\_

Occupation: \_\_\_\_\_

Amount of contribution \$ \_\_\_\_\_

Signed: \_\_\_\_\_

I wish to contribute through payroll deduction.  
Please deduct \$ \_\_\_\_\_  
each pay period from my paycheck  
until the above amount has been contributed.

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CUT

*Political  
Action Committee  
Officers*

*Chairman*

James C. Bowling  
Senior Vice President  
Philip Morris Incorporated

*Vice Chairman*

Stanley S. Scott  
Director of Corporate Public Affairs  
Philip Morris Incorporated

*Treasurer*

F. Harrison Poole  
Treasurer  
Philip Morris Incorporated

*Assistant Treasurer*

Mary W. Covington  
Vice President, Corporate Affairs  
Philip Morris International

*Secretary*

Edward A. Grefe  
Vice President, Public Affairs  
Philip Morris USA

*Counsel*

Alexander Holtzman  
Associate General Counsel  
Philip Morris Incorporated

May 1, 1978

A copy of our report is filed with the Federal  
Election Commission and is available for purchase  
from the Federal Election Commission,  
Washington, D.C.

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Philip Morris Incorporated  
Political Action Committee  
400 Park Avenue  
New York, NY 10017

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