

Settlement to cost tobacco company up to \$50 million a year

■ **LAWSUIT:** Fifth largest cigarette maker agreed to donate money to smoking-cessation programs

NEW ORLEANS (AP) — The tobacco industry's united front began to crumble Wednesday when the nation's fifth-largest cigarette maker agreed to settle a class-action lawsuit accusing tobacco companies of manipulating nicotine levels to keep smokers hooked.

Liggett Group, which makes Chesterfield and Eve cigarettes, said that for the next 25 years, it will pay 5 percent of its pretax profits, or \$50 million a year, whichever is less, toward programs that help people stop smoking.

The settlement "has destroyed the tobacco industry's invincibility. Never again can they claim they have never lost a smoking-related lawsuit," said Ken Carter, a lawyer pursuing the case on behalf of as many as 50 million smokers and former smokers.

The settlement removes Liggett as a defendant from the lawsuit, which claims the major tobacco companies and their lobbying arm, the Tobacco Institute, concealed research showing nicotine is addictive and manipulated nicotine levels.

Liggett said it is also pursuing a settlement with five states — Florida, Massa-

chusetts, Minnesota, Mississippi and West Virginia — that want tobacco companies to pay their Medicaid costs of treating smoking-related illnesses.

"This is the first time that anyone in the tobacco industry has broken the code of silence," said Mike Moore, Mississippi attorney general. "Their policy has been to fight every case, never settle, never pay."

Lorillard Tobacco Co. and R.J. Reynolds Tobacco Co. said they have no plans to settle. Brown & Williamson likewise said it "will continue to defend all lawsuits aggressively."

Typical was the reaction from No. 1 tobacco maker Philip Morris USA, which said it remains "confident in the strength of our litigation position, and we intend to fight and win all of the cases in which we are involved."

The tobacco industry has been under assault in recent years from public and private officials.

David Kessler, commissioner of the Food and Drug Administration, has proposed a crackdown on tobacco advertising and sales. Congress held hearings two years ago that put tobacco company executives under oath saying they did not consider nicotine addictive. Internal company documents, which have leaked in recent months, appear to contradict those claims.

The class-action case is still in the early stages of procedural maneuvering, with

its class-action status under appeal.

The settlement with Liggett is subject to approval by the federal judge overseeing the case.

While Moore said a settlement with Mississippi was likely, Minnesota Attorney General Hubert H. Humphrey III's office rejected the Liggett settlement proposal, saying not enough money is on the table.

Liggett's payments, over 25 years, could reach \$1.25 billion if the company paid the maximum each year. But that's extremely unlikely: Liggett's pretax income amounted to \$11 million in 1994, which would mean a payment of just \$550,000.

Liggett admitted no wrongdoing and attached two key strings to the deal: If it makes no profit in a given year, no payment will be due. And if other tobacco companies win the lawsuit in New Orleans, the settlement will be void.

Liggett also said it will comply with proposed federal regulations discouraging sales of cigarettes to children, such as a prohibition on using cartoon characters in ads and limits on distributing free samples. Until now, all major tobacco companies had been fighting the rules.

Bennett LeBow, chairman of Liggett's parent, Brooke Group Ltd., said the agreement means the tobacco maker's assets will "no longer be held hostage by the tobacco litigation."

"The tobacco industry has lived for too

long with the possibility of financial catastrophe from product liability suits that could destroy the industry. This settlement is a fresh and prudent approach to this problem and positively addresses concerns about underage smoking," LeBow said.

Industry analysts said LeBow's motivation may have been to strengthen his bid for control of R.J. Nabisco Holdings Corp., parent of the nation's No. 2 cigarette maker — R.J. Reynolds Tobacco Co.

LeBow, who with investor Carl Icahn owns 5.8 percent of R.J. Nabisco, is trying to force an immediate move by the company to separate its food and tobacco businesses. R.J.R. has resisted the spinoff, saying it feared such a move would invite legal challenges and damage its credit rating. LeBow said the settlement includes a promise by plaintiffs not to block the spin-off.

R.J. Reynolds Tobacco said that while it has not reviewed LeBow's proposed settlement, "we suspect it's an irresponsible and reckless ploy to influence R.J. Nabisco shareholders in the proxy contest."

Massachusetts Attorney General Scott Harshbarger said there is "a significant way to go before we get an ironclad agreement," but that he hoped it would "set the stage for a flood of industry concessions."

Wendell Gauthier, another plaintiffs' lawyer, said other tobacco companies will have to pay more if they decide to settle.

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MEETINGS

EMU Board of Directors will meet for a House Committee meeting today at 4 p.m. in EMU Century Room D. For more information, call 346-3720.

Sister University Program will meet tonight from 6 to 7:30 in the Multicultural Center. For more information, call 346-4207.

MISCELLANEOUS

Knight Library will offer the following extended hours during dead and finals weeks: March 14, 8 a.m. to 1 a.m.; March 15, 8 a.m. to 10 p.m.; March 16, 10 a.m. to 10 p.m.; March 17, 10 a.m. to 1 a.m.; and March 18 through March 21, 8 a.m. to 1 a.m.



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SPER 199	Building Inclusive Communities: Images of Disability and Difference (Sec. 1)
AAD 199	Building Inclusive Communities: Images of Disability and Difference (Sec. 2)
PHYS 199	The Origin and Evolution of and The Search for Life in the Universe
ENG 199	Primary Intensity: Lesbians in Literature Since 1970
MUS 199	Classic Sci Fi: Fantasy or the Future?
RUSS 199	Russia Yesterday and Today (from Perestroika to the Present)
BI 199	Cascadia Bioregion: Biological and Cultural Foundations

For more information, see page 86 of the spring *Schedule of Classes*.
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