

draft. 10/29/93. JGR Corporate Affairs issues briefing to Brands Group.

Thank you. The issues that we in Corporate Affairs are dealing with now will have a significant impact on your volume, share and income goals. This makes you a stakeholder in our ability to get our job done. It also means that Marketing and Corporate Affairs are, by definition, a cross-functional team. We thought it would be a good idea, therefore, to let our teammates in on our part of the game plan.

Let me set the stage with a few snap-shots of the social environment that the tobacco industry and our consumers currently face:

- A bill seriously considered in the California legislature this year would have banned workplace smoking in the entire state.

- Bill Clinton has proposed an increase in the federal excise tax on cigarettes to pay for health care reform. The most recent figure trotted out by the Administration is 75 cents per pack.

- The Attorney General of Texas has sued the state's largest vending machine operator, charging that by placing machines in restaurants and hotel lobbies, the company was deliberately trying to sell cigarettes to minors.

- Here in New York, Governor Cuomo pushed through a tax increase of 17-cents per pack, giving New York the second highest state tax in the nation at 56 cents per pack.

• And again in New York, state legislator Pete Grannis, at Governor Cuomo's instigation, offered up his annual bill designed to put you out of a job. We beat the Cuomo/Grannis bill's marketing restrictions this year, as we have before. If these restrictions had become law, they would have banned advertising in all places "accessible to or viewable by" the public. That includes all outdoor media; in arenas; in stations and terminals; on trains, buses, and taxis; and even in stores where tobacco products are sold.

These restrictions would have prohibited the distribution of coupons, and might have been interpreted to include prohibiting a cigarette company from sponsoring events under the name of one of its brands.

Should restrictions like the ones initially proposed in the Grannis bill ever pass in New York state, anti-smokers would immediately put them on the legislative telegraph as a model to be introduced and passed in every other state in the country.

[PAUSE]

In summary, I think it's safe to say that the social battle over smoking has escalated into an all-out war. Companies that market cigarettes are under constant attack at all levels of government as well as by an increasingly well organized and financed anti-smoking movement that wants to tax, restrict and regulate the industry out of business.

In a few minutes, I'll outline some ways that we are defending our business against such attacks.

But first I want to describe to you the main factors responsible for heating up the issues we face today and will confront even more intensely in 1994.

*[Overhead #1. EPA report on ETS. Fiscal Pressure on States. Linkage of tobacco with health care reform.]*

First, the Environmental Protection Agency report that put environmental tobacco smoke on the EPA's "Group A" carcinogen list. Since the release of the report on January 7, proposals to ban workplace and public smoking have increased dramatically. Almost all of them cite the EPA report as justification for their severity.

The second reason anti-tobacco legislation is increasing in frequency and severity is that practically every state in the U.S. is under intense fiscal pressure as a result of the recession and the general "anti-tax" mood of the electorate.

States cannot run deficits, as the federal government does. States have to find the money they need somewhere, and more and more of them are considering increased consumer excise taxes on cigarettes as a way to raise revenue fast with little political cost.

A third factor contributing to the increase in anti-tobacco legislation is that anti-smoking activists are trying to link taxes on cigarettes with paying for health care and health care reform.

It now looks like the actual push to get the federal legislation passed may not happen until early 1994. But the Administration is already proposing a 75-cent increase in the

cigarette excise tax, and we expect this to have a ripple effect on state cigarette tax proposals.

Many states will try to push their proposed excise tax increases through quickly, to get their piece of the excise tax pie, before a proposed federal increase limits their ability to do so.

[PAUSE]

As a result of these and other pressures, the tobacco industry faces stepped-up legislative activity on a number of fronts in 1994 -- including issues such as solid waste disposal and fire-safe cigarettes.

But the three areas of most concern to us are: excise tax increases, smoking bans and marketing restrictions.

*[Overhead #2. Excise tax increases, smoking bans, marketing restrictions.]*

Excise taxes are the primary concern. Cigarettes are already the most highly taxed consumer product in the marketplace.

*[Note: -- set Overhead #2 aside, to show again later on page [TK].]*

*[Overhead #3. Map of U.S. with state tax rates.]*

Currently, state excise taxes range from a low of 2.5 cents a pack in Virginia, to a high of 60 cents a pack in Hawaii. In addition, as I've already noted, the federal

government now charges 24 cents per pack, and many localities impose their own tax. Add a sales tax, and the total tax bite on a pack of cigarettes averages 31.3 percent and -- in some places -- exceeds 40 percent of the price.

Nevertheless, in addition to the proposed federal increase, virtually every state is looking at cigarette tax increases in 1994.

*[Overhead #4. Map of U.S. with 1994 tax threats shaded. States with proposals pushed by Governors shaded bright red.]*

Here are the states where we face the greatest potential for tax increases next year: Alabama, Alaska, California, Delaware, Florida, Georgia, Iowa, Idaho, Indiana, Kansas, Louisiana, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, Wisconsin, West Virginia, and Wyoming.

In the states shaded in red -- Florida, Iowa, Indiana, Maryland, Michigan, Montana, New Jersey, New York, Ohio, South Dakota, Utah, Vermont, Washington and Wyoming -- the tax increase proposals are being driven by the governors of those states.

This means the bills will come before their respective legislatures with a great deal of support already in place and will be particularly hard to defeat.

One of the battles -- Michigan -- is already underway.

[Overhead #4a -- States with potential 1994 ballot initiatives]

As you may know, passing a tax increase into law through the state legislature is not the only way the state taxes on cigarettes can be increased. Ballot referendums and initiatives can achieve the same anti-smoker ends.

In Oregon, a ballot initiative to hike the state cigarette excise tax by 25-cents and use the revenue for health care and anti-tobacco programs has been filed for the 1994 election. Ballot initiatives to increase taxes are also on the fast track in Colorado and Indiana.

In 1994 we also see a potential for tax increases via ballot initiatives in Arizona, Montana, Nebraska and Oregon.

Ballot initiatives and referendums are particularly hard to defeat, because the majority of non-smoking voters usually support the tax increase.

Issues placed on the ballot are also difficult to fight, because of the sheer numbers. As you in Marketing know so well, when you're trying to sell a marketing concept to management, it's much easier to convince one person than with all members of a committee. The more people you have, the more chance you have of some one saying, "Well, I like the concept, but maybe you could do a little something different with the packaging, the advertising and the promotional plan."

The same is true in our work. In the case of working with state legislatures, it's easiest to work with legislative leaders who share your concerns. It's more

difficult, but still manageable to work with legislative committees. Still, it's easier to deal with the committee than to win a fight involving all of the legislators in a State Senate or Assembly. Most difficult, then, is a ballot initiative, where the issue is out of the hands of the legislators and you have to reach and convince millions of individual voters.

Ballot initiatives that arise in high population/high market share states are especially troublesome. We have to be prepared to commit significant amounts of resources to fighting ballot initiatives in California, for example, because it is such an important market to us.

Additionally, there is the "model" factor. California, New York, Texas, Pennsylvania, Illinois, Ohio, Florida -- any of the big population states that get away with infringing on the rights of smokers -- serve as a model for all the other states.

OK, I've been talking at some length about the legislative process and where we see tax trouble spots. Let me take just a second to emphasize how much of an impact such tax legislation can have on our customers, consumers and on PM USA.

Excessive excise taxes on cigarettes exacerbate an already price-sensitive situation. When the tax goes up sharply, we lose volume and profits as many smokers cut back or switch to discount brands.

Our retail and wholesale customers in high-tax states suffer particularly, as smokers begin buying their cigarettes

over state lines, on Indian reservations or from smugglers to avoid the tax.

Unlike the varying regional impact of state tax increases, a steep federal increase would inflict pain equally everywhere, and that pain would be intense. In the projections to follow, I will be speaking about the impact in 1995 because, although the a tax increase might be passed in 1994, typically, Congress specifies that it is to become active on January 1 of the following year, that is, at the beginning of 1995.

Even a 50 cents-per-pack increase -- 25 cents less than currently proposed -- would lead to the loss of more than 200,000 jobs in tobacco and related industries nationwide, some of them perhaps in this room.

The job fall-out would be the last domino in a series of economic losses that would begin with a loss in sales volume. Based on Tobacco Institute projections, we estimate that a 50-cents-per-pack tax increase would decrease PM USA volume by nearly 21 billion units in 1995 alone.

Sharp increases in state excise taxes would drive additional volume losses at the regional level. If you imagine your volume targets being hit by that kind of loss, you may begin to develop an enlightened self interest in the taxation issues that we confront on a daily basis.

*[Repeat Overhead #2: Excise tax increases, smoking bans, marketing restrictions.]*

The second major threat we face is from smoking bans. If smokers can't smoke on the way to work, at work, in



stores, banks, restaurants, malls and other public places, they are going to smoke less. Some percentage of them are going to quit. Overall cigarette purchases will be reduced and volume decline will accelerate.

Here are the states where we expect state-wide smoking bans or severe restrictions to be introduced in 1994:

*[Show map highlighting Alabama, Alaska, Arizona, California, Colorado, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Kansas, Maryland, Michigan, Minnesota, Massachusetts, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, Wisconsin, West Virginia, Wyoming.]*

Yes, the states where we have anticipate battles are highlighted in [color]. Maybe I just should have highlighted the states where we didn't expect trouble next year.

Additionally, we expect tough smoking ban or smoking restriction battles at the local level -- towns, cities and counties -- in these states.

*[Show map highlighting Arizona, California, Colorado, DC, Georgia, Hawaii, Indiana, Kansas, Maine, Maryland, Michigan, Montana, New Mexico, New York, Ohio, Oregon, Texas, Utah, Washington, Wisconsin, Wyoming.]*

And, there are possibilities for state and local ballot initiatives to ban or restrict smoking in California, Arizona, Colorado and Arkansas.

As I mentioned earlier, a major factor driving smoking bans and restrictions is the EPA report placing ETS on its Group A carcinogen list, and I'll have more to say about that report in a moment.

Before I do, however, let me cover our third major issue, and the one that is closest to home -- or closest to your home, anyway -- marketing restrictions. Marketing restrictions can range from local vending machine bans, to state restrictions on self-service, all the way up to Senator Ted Kennedy's regularly introduced proposal to allow every state to impose its own warning labels and advertising restrictions.

Can you imagine the regulatory nightmare the industry would face having to conform to 50 different sets of warning labels? Fifty different sets of advertising requirements?

There are three potent forces at work that are driving the proliferation of marketing restriction proposals.

The first is the Synar Amendment -- or, more accurately, the anti-smoking movement's manipulation of the Synar Amendment.

The Synar Amendment -- a bill sponsored by Representative Mike Synar of Oklahoma and voted into law by Congress last year -- is aimed at preventing children from purchasing and using tobacco products. We at Philip Morris wholeheartedly agree with the premise of the law. It calls for (1) the establishment of minimum age laws in the states for the purchase of cigarettes, (2) the conducting of unannounced inspections of retail outlets to determine if retail establishments in a state are in compliance with the

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minimum age law and (3) the filing with the Department of Health and Human Services of a report demonstrating the steps the state is taking to enforce compliance.

HHS has real leverage with the states regarding enforcement of the Synar Amendment, because the Agency has the authority to grant or withhold tens of millions of dollars in federal mental health and substance abuse funds depending on whether HHS thinks that a state is or is not in compliance with the Synar Amendment.

What constitutes compliance?

The answer to that question is at this moment being debated at HHS, where regulations defining compliance are being developed.

Every anti-smoker in Congress and every zealous anti-smoking organization with a phone line and a lobbyist is harranguing HHS to include in the Synar regulations an entire draconian menu of anti smoking sanctions which, if not followed, would force the loss of mental health and substance abuse funds in the offending states. Those sanctions include:

- bans on vending machines
- sampling bans
- sting operations by local health groups armed with underage teenagers and a video camera.
- licensing requirements for retailers who sell cigarettes, with licensing fees earmarked to finance additional sting operations.

A second factor that is driving marketing bans is Project Assist. This is a federal program established three

years ago and expressly designed to reduce the incidence of smoking in 17 targeted states. A total of \$115 million is being spent over seven years on the project, with an additional \$35 million being kicked in by the American Cancer Society. Three years have been devoted to research and preparation; the next four will feature implementation.

The way Assist works is that the funds are distributed to the state boards of health which then disburse the funds to local anti-smoking groups that apply for support through project proposals.

Project Assist is a windfall to the anti-smoking movement. Before Project Assist, anti-smoking groups were constrained like other organizations to raise funds for overhead and salaries, and what was left over could be used to attempt to put us out of business. Today with Project Assist funds, those groups automatically have their overhead/salary nut paid for, and this means that they can use all of their own funds to ban all billboards from a town as has happened in Massachusetts, or ban sampling, couponing or even in store point of purchase displays.

The third factor driving marketing restrictions is state laws, typically passed through ballot initiative, that tax cigarettes and earmark the revenues for further anti-smoking activities, including the development of legislation to restrict our marketing practices. At present, California in the West with Prop. 99 passed in 1989, and Massachusetts in East with Question 1 passed in 1992, are both funding multi-million dollar anti-smoking programs through state excise taxes on cigarettes. These two states -- one on either coast -- are incubators for anti-marketing strategies. We expect

the antis to attempt to export successful programs and tactics to other states.

[PAUSE]

I've gone on at some length about what we face in the tax, smoking ban and marketing restriction arenas, and what the antis are doing to try to put us out of business. For the remainder of this briefing, I'd like to tell you about what we're doing and why we're confident we can come out the winner. We can call this part of the briefing, "Now for the good news ... "

For each of our major issues, we have strategies in place designed to insure that our opponents are not successful.

*[Overhead #9: PM legislative strategy -- Federal excise taxes.]*

Philip Morris USA's legislative strategy to combat a sharp federal increase is three-pronged, with activities involving government, business and the public.

First, through the Washington Relations Office we are working with the governors from tobacco growing states and friendly legislators in Congress to put pressure on the Clinton administration.

Every tobacco-state governor has called President Clinton personally to explain the unfair economic burden their states will suffer as a direct result of a steep federal increase, and all are continuing to send that message loud and clear to Washington and the Clinton Administration.

Second, we are building coalitions with business and trade organizations, as well as with consumer, smoker and anti-tax groups to help generate opposition that is broad, deep and tightly coordinated. Such organizations as the National Association of Manufacturers, Citizens for Tax Justice and others are keeping the heat on the Administration.

Working with others, we are generating letters, opinion pieces and editorials criticizing federal proposals to increase the tax as an unfair and ineffectual method of dealing with the health care crisis.

Third, we are using all communications channels available to us to educate the public and legislators to the positive, dollars-and-cents contribution tobacco makes to the U.S. economy and the balance of trade.

The tobacco industry directly and indirectly provides employment for 2.7 million Americans, and generates nearly \$70 billion in compensation annually.

A 75-cent-per-pack increase in the federal excise tax on tobacco would have a devastating effect on U.S. employment, a major concern to the Clinton Administration.

PM senior executives from every operating company have contacted every Philip Morris employee, as well as major customers and vendors, and urged them to write their elected representatives and express their opposition to a steep federal excise tax hike.

The message that is being delivered to Washington is: that the tax is simply a bad idea; that thousands of ordinary people -- tobacco farmers, truck drivers, retail clerks and so on -- might lose their jobs as a direct result of such an increase; that the tax is unfair and ineffective.

We expect our message to generate support against the tax increase among lawmakers, and to create a sense of caution within the Clinton administration. The increases proposed by the Administration have already been reduced from a high of \$2.00 per pack to 75 cents per pack, and the Administration has gone on the record admitting that this lowering of its target was due to unexpectedly strong pressure from those opposing tobacco tax increases.

We intend to keep the heat up. Our position is NO TAX INCREASE.

*[Overhead #10: PM legislative strategy -- state excise taxes.]*

Our excise tax strategy for the states is similar. Here, too, we are working with coalitions to broaden opposition and get our message heard by state legislators and governors, but the content of the message is slightly different.

Some months ago, a front-page story in the New York Times described how states are realizing less and less revenue from so-called "sin" taxes on tobacco and alcohol.

State excise tax increases generate less revenue than anticipated as high taxes encourage people to quit using the product or avoid the tax in other ways.

When the tax doesn't raise the projected revenue, other taxes have to be raised to take up the slack, and legislators end up taking more heat from voters.

We can also document how states with high tobacco taxes lose substantial business to lower-taxed border states. Lost sales are not confined to cigarettes, but include purchases of other goods and services while the consumer is there.

We have good, effective arguments against high state taxes on cigarettes, and we often prevail at the state level as a result. Last year, 38 state excise tax increases were opposed, and only 7 actually passed.

*[Overhead # 11: PM Strategy for opposing smoking bans -- build a national coalition.]*

Now let's move from taxes to smoking bans. As I indicated, smoking bans are being driven by the EPA report. To fight them, we are building a coalition that is national in scope but that will be run at the state level.

The coalition will educate the media, the public and legislators to the dangers of "junk science." It will address the credibility of the government's scientific studies, its risk assessment techniques, and its misuse of tax dollars.

Let me briefly summarize the case we have against the EPA. We begin with the fact that the EPA has a social agenda which is strongly anti-smoking, and the agency's actions regarding ETS reflect a commitment to that agenda rather than to good, unbiased science.



As to the EPA's January 7th report:

First, the EPA did not report any new evidence, and in fact conducted no original research itself. The EPA simply reviewed 30 studies on environmental tobacco smoke, 24 of which found no overall statistically significant relationship between ETS and serious disease in non-smokers.

Second, the EPA report is scientifically flawed. For example, the EPA lowered its own official standards for establishing statistically significant risk so that the agency could make a case against ETS.

To use a football analogy, the EPA tried to kick a field goal and missed. So they halted the game, widened the distance between the goal posts, lowered the cross-bar, and then announced that the field goal they'd just missed was now good.

Third, the EPA chose not to include in its analysis one of the largest and most recent studies done in the U.S. on ETS, funded in part by the National Cancer Institute. That study found no overall statistically significant increase in risk of lung cancer to non-smokers due to ETS.

If the NCI-funded study had been included in the overall EPA risk analysis, it would have pushed down that overall assessment to statistical non-significance and the EPA wouldn't have had a report to issue.

Four, the EPA only reviewed studies of non-smoking women married to smoking men. It did not review any of the studies examining ETS in workplace and social situations, none of

which has found any statistically significant increased risk for non-smokers exposed to ETS.

In summary, the overall evidence does not support the claim that ETS is harmful to non-smokers, particularly in public and the workplace.

In fact, because of the distortion of evidence the EPA engaged in, and because of the harm it caused the tobacco industry, Philip Morris and several other members of the tobacco family have filed suit against the agency in a federal court in North Carolina over the procedures the EPA used that resulted in ETS being put on the agency's Group A carcinogen list.

In terms of general strategy in dealing with ETS, we take every opportunity to shift the focus from ETS to indoor air quality in general, which is where it should be, and by highlighting the slippery slope argument -- showing potential allies in business how they might be the next victim of the EPA's shoddy science. In doing so, we hope to discredit the EPA and prevent smoking ban legislation wherever it is proposed.

In its stead, we want to encourage the accommodation of both non-smokers and smokers, and promote the adoption of ventilation standards necessary to ensure that both groups can be served.

We are consulting with heating and air-conditioning engineers and other IAQ experts to accomplish this.

Together we are developing model IAQ legislation and targeting initial test states, including California, Arizona and Georgia, for implementation.

*[Overhead # 12: Accommodation logo.]*

I just mentioned "accommodation" as a desired resolution to the differences between smokers and non-smokers. We created a very successful accommodation program in Pittsburgh in which hotels and restaurants posted this symbol to show that their policy was to respect the preferences of each group.

Elements of this program are now being implemented in cities throughout the country. And we will use this program as a tactical weapon to support proactive accommodation legislation in the states.

This year, we began promoting the adoption of accommodation legislation in selected states, and we will continue this effort on a broader scale in 1994.

These laws attempt to strike a balance by ensuring that reasonable steps are taken to accommodate both non-smokers and smokers in workplaces, restaurants and other public places.

Many of these laws will also serve to preempt local smoking restrictions, which tend to be more severe.

*[Overhead # 13: States where accommodation legislation is passed ('93) and planned ('94).]*

The states in blue on this overhead are states where accommodation legislation has already been passed.

For 1994, we've targeted those states -- shaded green -- where we have the best chance of success.

In every state where we think it's realistic to try, we will be pushing for pre-emptive accommodation legislation.

*[Overhead # 14: PM Strategy for combating marketing restrictions.]*

This brings me to our third major priority along with taxes and smoking bans -- fighting marketing restrictions. Our strategy is to build coalitions with our customers and with trade associations to lobby against and defeat overly-restrictive measures wherever they are proposed.

We also plan to help design and promote pre-emptive marketing legislation we can live with, and work to see such laws passed state by state.

Let me stress the importance of this kind of pre-emptive state legislation. In the past, we have been very successful in derailing, defeating and watering down proposed marketing restrictions at the federal and state level. Because of this success, the antis -- finally having learned that it's tough to win at the state level -- have taken the weapons I've discussed earlier including Project Assist funds, Prop 99 funds in California and Question One funds in Massachusetts -- and have gone local.

They are focusing their energies on town vending bans, stadium advertising bans, county bans on couponing, city bans

on advertising on city property or public transportation, and so on. It is a Pac-Man approach, gobbling up our ability to market a small piece at a time until suddenly this patchwork of marketing regulations coalesces into a crazy quilt that is as effective as a national ban.

The way to fight the antis' Pac Man strategy, then, is for us to create marketing coalitions that will support the passage of state regulations we can live with that pre-empt any more extreme attempts at marketing restrictions offered up at the local level. And we're doing just that.

At the federal level, we face a comparable challenge. For example, we are at the moment in the midst of that battle at HHS to insure that the regulations relating to the Synar bill are sensible rather than the antis' dream-of-control come true. This means that where the law calls for unscheduled inspections of retail outlets, we want the inspection to be just that -- an inspector arrives with a list on a clip board and determines whether the establishment is in compliance with the law. Unscheduled inspections does not mean, as the antis are trying to propose, sending children into an establishment who are instructed by adults to break the law and then have those same adults video tape the event for public relations as well as prosecution purposes.

[PAUSE]

OK, I've gone over the major issues -- taxes, smoking bans and marketing restrictions -- and the factors driving them -- the EPA report, the state economies, the Synar bill and Project ASSIST, the incubator states of California and Massachusetts, the reversion by the antis to a local Pac-Man

strategy and our counter-strategy of pre-emption. And I've talked about some of the things that we are doing in defense of the company and industry, and some of the arguments we're offering.

Now, let me conclude by bringing you in on the action. You are anyway, even if you don't realize it. For example, every marketing program you run -- whether it's a Virginia Slims Tennis Tournament, or a hat with a brand logo on it that's redeemed through the mail -- to the extent that it creates a positive marketing pop for you, has an equal and opposite effect on our work. All of the inducements that you offer adults to choose our products are offered up by the antis as reasons to ban smoking, restrict marketing and create a smoke-free society.

I mention this not to complain. In fact, your creativity and effectiveness have been the mainspring of PM USA's success. We are a marketing company and anyone who feels that marketing is making things too hot should get out of the kitchen. At the same time, however, I do ask you to remember always that every marketing program you engage in has issues ramifications, and that it might be well to reflect on them -- and even to talk with us about them -- before launching a program that creates unexpected responses.

Basically, just remember that every attention-getting marketing and promotional program and device put into the field generates a response by the anti-smoking movement that we in Corporate Affairs handle.

The last point I would like to make is to suggest increased teamwork between our two groups. I'm talking about the possibility of issues pieces that might go in as carton

inserts, buck slips in direct mail pieces and in merchandise that is redeemed by our consumers.

I'm talking about accommodation pamphlets or issues or educational pieces distributed at sponsored events -- for example, a pamphlet on the contribution that the Marlboro sponsorship of Indy car racing makes to the communities where the race is held, for distribution at Indy and at major races where we participate.

I'm talking about palm cards for distribution to retailers on how to handle local anti-smoking activists who are looking to put the retailer out of business.

There are any number of areas where our activities and yours directly intersect. We know you're busy with your own responsibilities, but we hope you can see your way clear to join us in the fight we're engaged in to protect our brands and our business.

I've tried to give you an accurate and unvarnished picture of the industry's true situation regarding the current political and legislative environment. I haven't tried to pretty it up, and I haven't tried to exaggerate it either.

The simple fact is we are at war, and we currently face the most critical challenges our industry has ever met. We have to get together and join forces to successfully defend our business right now -- today.

Thank you. I'll be happy now to take your questions and to listen to your comments and suggestions.