Tobacco Industry Labor/Management Committee
Accountant's Report on Review of Financial Statements
For the Month Ending July 31, 1999

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Tobacco Industry Labor/Management Committee.
July 31, 1999
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Tobacco Industry Labor/Management Committee
Footnotes to Accountant's Report on Review of Financial Statements

Note 1 - Organization

The Tobacco Industry Labor/Management Committee (TILMC) was established as a separate activity of The Tobacco Institute. The TILMC was established to contribute and promote greater cooperation among the vaious labor and management segmnets of the tobacco industry in order to improve job security and economic development and to assist employees and employers in solvinng problems of mutual concern that are not susceptible to resolution thruogh collective bargaining.

As part of the settlement proceedings between the major U.S. cigarette manufactures and 46 states, The Tobacco Institute is being dissolved. The Master settlement agreement (MSA) permits the tobacco industry to form successor organizations to perform some of the functions of The Tobacco Institute, including, in particular, the function of labor/management cooperation. Consequently, effective July 1, 1999 the TILMC no longer operated as an entity of The Tobacco Institute and filed application for a separate non-profit exemption, see related tax footnote # 4.

The TILMC participating employer members contribute in a method prescribed by the by-laws for the purposes of defraying the TILMC costs.

Note 2 - Accounting Policies

Modified Cash Basis of Accounting: The TILMC uses the modified cash basis of accounting for financial accounting reporting purposes, consequently revenue is recognized when received and expenses recognized when the cash disbursement is made. However, expenditures that are for furniture and equipment are capitalized and depreciated over their useful life.

Depreciation: The TILMC has a policy to capitalize all expenditures in excess of $500 for furniture and equipment that has a useful life in excess of one year. The Organization uses the straight-line method of depreciation. Equipment repairs are expensed when paid unless deemed to be a significant betterment. Depreciation charges reflect only assets purchased directly by the TILMC.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Footnotes to Accountant's Report on Review of Financial Statements
(Continued)

Note 3 - Related Parties

Prior to July 1, 1999 the Organization was administered by The Tobacco Institute, a related party through affiliation. These amounts are not reflected in the financial statements of TILMC. This report reflects the expensing of start up costs incurred prior to July 1, 1999 by the Organization.

Note 4 - Taxes

The TILMC filed an application for recognition of tax exempt status under Internal Revenue code section 501(c)6. The application is pending as of the date of this report, however, management and counsel believe that the Organization qualifies for tax-exempt status.

The TILMC is required to pay sales tax on purchases of goods and services and is required to pay state personal property tax on qualifying property.

Note 5 - Commitments and Contingencies

The Organization has entered into a one year lease agreement, which expires July 31, 2000, for office space in Rosslyn, VA. The following sets forth the future minimum lease payments through 2000:

Year	Amount
2000	$16,100

According to legal counsel the is no material pending or threating litigation against the Organization as of the date of this report.

Note 6 - Concentration of Credit Risk

As of the balance sheet date the Organization had amounts in an account that exceeded the FDIC limit. The Organization has not incurred any losses with regard to such cash positions and the cash balances are held as temporary invested cash from which to pay operating expenses.

Note 7 - Segmented Business

The Organization receives substantially all of their revenue from three Member Companies. The following represents the 1999 funding by major participating members:

Member Organization	Amount	% of Total Revenue
Philip Morris Companies, Inc.	$ 335,369	67%
Brown & Williamson	$ 99,916	20%
Lorillard Tobacco Company	$ 64,715	13%
	$ 500,000	100%