



R. J. Reynolds Tobacco Company  
Winston-Salem, N. C. 27102

Wm. D. Hobbs  
Chairman of the Board  
and Chief Executive Officer

May 12, 1978

To Our California Employees:

As most of you know, the so-called "Clean Indoor Air" initiative will be on California's General Election ballot next November. You also know, I believe, that should this referendum issue be approved, smoking, with very few exceptions, would be prohibited in all public and private places in the state.

So that you may be fully aware of the consequences of voter approval of the proposed law, I am enclosing a copy of the Clean Indoor Air initiative and a fact sheet on this proposal prepared by Californians for Common Sense (CCS), the organization that has been formed to conduct an educational campaign to defeat the no-smoking initiative next fall.

Our Company and others in our Industry, are providing financial support to Californians for Common Sense. But, we realize the success of the CCS campaign will depend upon individuals like yourself and your family and friends. I am, therefore, addressing this letter to you and our other California employees with the thought that after reading the material we are forwarding, you will have a better understanding of the need to defeat what we know to be an unnecessarily restrictive and very costly anti-smoking proposition masquerading as the "Clean Indoor Air" initiative.

You will be hearing directly from Californians for Common Sense about some of the ways you might be able to help the campaign they are conducting; but before you do, I want to make certain you understand that California's Political Reform Act of 1974 requires the strict reporting of all company expenditures on any activities that relate in any way to the California anti-smoking initiative.

You should know that our Company will comply fully with both the letter and intent of the law. To do this we have established a special time and expense reporting procedure that will be explained to you by your Sales Manager before you engage in any CCS activities.

50000 1631

There are, however, other requirements, and one in particular that I personally want to stress so there can be no misunderstanding. It is:

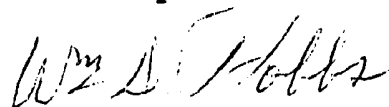
No employee of the company will be authorized to spend more than 10% but not exceeding 16 hours of time in any one month on activities supportive of, or related to the CCS campaign to defeat the California no-smoking initiative without the written permission of an officer of the Company.

This does not mean that Reynolds employees who volunteer to do so, may not participate in campaign activities on their own time. There is no limit on the amount of time a month employees may devote to CCS campaign work, provided it is done on a volunteer basis and outside of your regular working hours.

Non-compensated time and expenses that an individual voluntarily contributes to Californians for Common Sense need not be reported. However, let me emphasize again that we are required to keep a complete record of your time, and any expenses you may incur, when you engage in any work for the CCS campaign during the working day. Please, therefore, keep a careful record and report your CCS time and expenses, if any, to your Sales Manager each week, or more often if necessary.

Thank you for your help and cooperation.

Sincerely



Wm. D. Hobbs  
Chairman of the Board