

4/12/2000

UNITED STATES

◆ San Diego County, **California** Superior Court Judge Ronald S. Prager denied class certification to two suits against cigarette manufacturers back to back on April 12th. In his decision in the first, *Brown, et. al. vs. Brown & Williamson Tobacco, et. al.*, brought by State smokers seeking money for smoking cessation programs, Judge Prager explained that given the number of defendants named, brands of cigarettes involved, causes of action claimed, wrongful acts alleged and time span, "It is almost academic from the mere face of such a synopsis of this action that class certification is inappropriate." The second rejection was of a case brought by the Operating Engineers Local 12 union fund (B&W 4/12).

◆ Snohomish County, **Washington** retail stores may again display tobacco products advertisements in windows and sidewalks, applying the principle of a November 1999 rejection by the **9th U.S. Circuit Court of Appeals** of an ad ban by the Tacoma-Pierce County Board of Health. The court had said the Tacoma ban violated a 1969 Federal law prohibiting State and local governments from applying health-based ad prohibitions (Seattle Times 4/11).

◆ Ann Gurkin of **Davenport & Company LLC** remarked on the paradox of **Philip Morris Cos.**' stock selling in the low \$20s: "We value its food business around \$ 22-23 per share. At this point, an investor is getting its food business at a discount, beer for free, and cigarettes, the tobacco business, for free. So that makes zero sense with a strong cash flow." Her analysis, along with that of **MSDW** analyst David Adelman, is in the latest issue of *The Wall Street Transcript*, available for order at <http://www.twst.com/info/info83.htm> (PR Newswire 4/11).

◆ **Engle Update:** On April 11th, a **Florida** Senate panel sought advice on how to prevent tobacco company bankruptcy - and consequently cessation of State settlement payments - threatened by potentially huge *Engle* damages. Ironically, industry-sustaining strategies were solicited from anti-tobacco attorneys Richard Scruggs, who pursued **Mississippi's** case, and Joseph Rice, who was involved in **Florida's**. The two recommended capping punitive damage payments at \$50 million per year. Currently, Senators are considering capping at \$50 million the amount companies would have to post in *bond* form in order to appeal and House members are promoting securitization of the State's 30-year settlement (St. Petersburg Times 4/12).

◆ **District of Columbia** Mayor Anthony A. Williams proposed securitizing part or all of DC's expected \$1.2 billion share of national tobacco settlement payments (Bond Buyer 4/11).

◆ On April 6th, **Pennsylvania** State Senator Vincent Hughes (D-District 7) introduced the *Cigarette and Tobacco Products Tax*, which would hike State cigarette excise tax by 49 cents (from 31 to 80 cents) per pack and levy a new OTP tax rate of 40% of the wholesale price (LEG00-15).

WORLD

◆ On April 27th, **Swedish Match** will propose a share redemption, offering 35 krona (US\$ 4.00) for every 14 shares held. The Board will also propose a new issue of up to 4 million shares to raise 67.8 million krona (US\$ 7.8 mn) to restore the share capital to an amount equal to the level before the redemption (Swedish Match Press Release 4/12).

◆ On April 12th, the **European Union Court of Justice** held a hearing on an appeal by **Germany**, joined by **Imperial Tobacco, Gallaher, British American Tobacco** and **Rothmans**, against the EU's directive banning tobacco advertising and sponsorship, slated for July 30, 2001. A ruling is not expected until this autumn (AFX Europe 4/11, Financial Times 4/12).

◆ **Gudang Garam** stated that its workers' strike seemed to be worsening, prompting a plan to lock the Kediri plant in East Java from April 11th to April 16th "to avoid unexpected things." The government said "the legal basis to [intervene] is not clear." Nevertheless, Gudang Garam shares resumed trading on April 11th (AFX Asia 4/12, Reuters 4/12).

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◆ Although **Zimbabwe's** leaf auction floors are due to open on April 26th, bookings are unusually low, as many farmers retain their crop until the central bank devalues Zimbabwe's currency from the artificial rate of Z\$ 38 to the U.S. dollar (Times – London 4/12).