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10 pages.

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Strictly Private and Confidential

17th September 1998

Dear Marion,

I am writing to you on a personal basis to provide you with a full and detailed account of the circumstances which led up to the confusion over the monies that were paid to me on my departure from the TDC. I am doing this exclusively with you, for many of the things that I will rely to you in this letter do not relate to my personal relationship with you on the TDC, but cover a catalogue of instances which may help you better understand why I am in this situation with the TDC Board. Additionally, I believe that of all the TDC Board Members, you are the only one who will likely treat this letter with the confidentiality that it deserves.

I am informed by close personal friends in the UK that the TDC auditors are making indiscreet and inappropriate enquiries relating to my personal and financial circumstances (as you will appreciate this is a very small world, and friends are calling me asking why Anderson auditors are approaching them directly!).

The few friends that I appear to have remaining within the industry (who I hasten to add, do not appear to be within the TDC or its Member companies), also advise me that some Members of the TDC Board are considering the possibility of taking action against me for unspecified improper conduct during my tenure at TDC. This is an unacceptable situation, given that I was perhaps the facilitator of such conduct on behalf of individual Board Members, rather than the initiator.

Before I address the specific issues of both the final payment made to me by the TDC (and will I stand by my contention that this payment was approved), and the question of my expenses (which as you will note as you go on are heavily wrapped in debate), I would like to relate a history of incidents and relationships with you. This may help you better understand how the both Infotab and the TDC worked up until my departure.

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- In June of 1989, I was asked by a senior Infotab officer to undertake a special favour exercise for one of Infotab's Members based in Brussels. Having previously communicated with Mr. Luk Joossens when I was in the pharmaceutical sector, I was asked if I could arrange a meeting with him to discuss issues of mutual interest. I met with Joossens in Oct/Nov of 1989 and discussed the question of how to get him to "temper" his assault on tobacco manufacturers in Europe. I was authorised by the Infotab Member company to discuss with Joossens the "incentive" necessary, and ultimately conveyed Joossens response back to that Member company.
- In February 1990, I was instructed by an Infotab Board Member to prepare background information on leading activists in the antismoking movement, to determine whether these individuals could be easily discredited. I was further asked to assess, evaluate and report on any aspects of the operation of antismoking groups which could be used to publicly discredit these groups. This I did.
- In March 1990, I was invited to a meeting by industry lawyers for them to assess my value in identifying key scientists in the witness development (operation whitecoat) programme. Based on my experience in the cancer research area, and the fact that I had access to "old friends" in the UK based Imperial Cancer Research Fund, the UK based Institute of Cancer Research, the UK Cancer Research Campaign and the International Agency for Research on Cancer, I was asked to prepare personal briefings on scientists who might be prepared to assist the industry for trial witness development, peer review of scientific papers, or give "insider" information on current research projects in these agencies. This I did.
- Throughout 1989, I attended many of the Infotab Board and Global Issues Working party Meetings as an observer, and prepared some of the meeting papers devoted to public issues management of international non-governmental organisations. In working on these issues I became privy to specific unethical "actions" being undertaken by manufacturers in their pursuit of "subduing" these groups.
- On numerous occasions during my tenure at Infotab I attended private dinners with senior UK politicians (who were then friends of the SG) and provided private briefings to them on the state of play in the anti-smoking movement and the future legislative pressures the UK would face. These meeting were specifically arranged at the behest of the CEO's of the UK companies in an attempt to mitigate forthcoming legislative initiatives.

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- I was fortunate (and with hindsight probably unfortunate) at Infotab, in being intimately involved in many of the operational and financial arrangements managed by the Association. I remain wholly aware of the "capital" fund used by the Association for "entertainment and travel" for Board Members and their wives. I am also aware of the financial mechanisms used by the SG and the Board to pay for things through the association, in order to obviate personal taxation obligations. I am further aware of individual payments (primarily through bank transfer arrangements) to personal accounts of senior officers of both individual companies at the Association itself. I am also aware of the cash payments sanctioned by the Infotab Board to the then departing SG, in order to "buy" his silence over a number of issues, of which he quickly apprised me after his departure.
- I should also advise you that I was on many occasions instructed to place on my individual expenses and credit card, payments for senior company officers, Infotab Member company staff, and "guests" of the Association, which to this day I believe are still wholly inappropriate, given their nature.

This is by no means a complete catalogue of circumstances, there are others, such as: the meeting I attended with senior Infotab officers and company executives discussing pricing policy in some European and African markets; the meeting I attended which discussed the framework for the establishment of the East European Working Group, and the private discussions I part to on international company bidding strategies for key factories in the East European region. There are numerous meetings I attended at which I was "asked to close my ears", - although I am not a lawyer, I could conclude such discussions breached basic anti-trust law for both European and US companies.

Marion, if you wish, I am happy to provide an full affidavit in support of the above matters at Infotab, which you can use in any manner which you deem to be appropriate.

Before I continue on this catalogue, I should advise that when Infotab closed-down, I requested, but was rejected for redundancy. I have to admit to you that by the time the TDC job was offered to me, I had attended many interviews to try and find something more appropriate, and probably more in the mainstream of "ethical" public affairs in another industry. Unfortunately for me, I was deemed to have some value to the now Charter Members of the TDC, perhaps because of my inherited knowledge of the mechanics and history of the Association, or simply because some Board Members felt it would be better to have someone in place who was already "implicated" in some of the things that had been going on with Infotab.

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I have to admit to you, that it was with some sense of desperation that I decided to stay in the industry at the time, and it was with a huge sense of trepidation that I embarked on my new role in TDC. The history that I carried into TDC was inevitably something that some Board members were acutely aware of, and now believe they used to their advantage.

Needless to say, predictions of the inevitable became true very quickly. On my first day at TDC I was called in by a TDC Board Member and told directly that although the management had changed, and we had some new Board Members, but we would "continue to operate the association to the benefit of the Charter Members." It was obvious to me that with over a STG 1 million in cash coming into the Association every year there would remain some "slack" for individual Board Member interests.

For your own information, I now detail below, in no real sense of order, some of the things I have been requested to, and have provided for TDC Board Members or their Member Companies:

- In my first year at TDC (1990) I was involved in the industry monitoring exercise of the World Conference on Tobacco and Health. In the run-up to that meeting taking place, I developed the monitoring strategy for the industry, prepared the induction materials for the hired monitoring team (which included physicians), and participated in the monitoring exercise itself. During my time in Buenos Aires I was sanctioned by two TDC Members to meet with two well-known anti-smoking activists. I prepared separate, unmarked, and private briefs on these meetings to both of these companies. These meetings were not arranged by me, and I was surprised that the individuals were even prepared provide their assessments of the conference at the behest of these companies.
- I was asked on a number of occasions to provide private company reviews for Charter members on the business operations of other Charter Members and other TDC Members. As you will no doubt appreciate, I had a wide range of contacts within many Charter Member companies, and used these individuals to garner general business intelligence for use on developing TDC information products. When requested to provide an analysis, as a personal favour to a Board Member, I would prepare a complete SWOT analyses, highlighting business failings and potentials. On one occasion, I know that information I provided on one Member was used to another Members's detriment in an overseas market, and in another instance, was used to acquire that company. As you are aware, such analysis was out with the remit of TDC, but was deemed to be a necessary part of my role among those Board Members who utilised me in this way.

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- On other occasions I was requested to source and develop information resources which were wholly exclusive to a single Charter Members, and to "bury" the financial costs of the exercise within information budgets, purely in order to hide the cost from other Charter Members.
- During visits to Charter Member one Charter Member I was always asked to provide a copy of my dinner bills to one Board Member -- in order that they could claim the meal on their expenses, when in actual fact TDC paid for it.
- I was instructed by two Board Members, on an number of occasions, to provide London Theater tickets for their personal use - again charged to TDC.
- I was also instructed by one particular Board Member to provide "appropriate entertainment" for a visiting guest they had from China.
- I was instructed on a number of occasions to arrange for the purchase of goods and services on behalf of Board Members for their personal use. These were often accounted for through petty cash receipts and my company credit card.
- I was asked by one Board Member to provide an up-to-date personal computer system for their use at home, which would not be (and I believe has not been) registered as a TDC asset.
- I was asked by one Board Member to always provide a personal limousine service for their exclusive use during visits to London..
- I was asked by more than one Board Member during overseas trips and visits to provide foreign currency for their personal use (which often was unreceipted). I was instructed to simply "cover this off" in my expenses as taxis, meals, photocopying, gratuities, etc).
- I was asked by another Board Member to provide a colour printer for their home personal computer. Again, this was not recorded as a TDC asset.
- I was asked on many occasions to arrange for dinners at expensive restaurants in and around London, in order that some Board Members could take full advantage of the London cuisine scene with their partners.
- On at least two occasions I purchased "art" for Board Members - one piece was commissioned on a tobacco theme, the other piece was purchased at auction. Neither item appears as an asset at TDC.
- I was instructed to purchase wines and champagnes for some TDC Board Members, which were charged directly to the Association.

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- I was instructed by one Board member to arrange a Board Dinner at a ridiculously expensive hotel overseas, in order that the individual could return to the restaurant the following day with a private party and have the cost covered by TDC.
- I was asked by one Board member to investigate the costs of a device for an aircraft, to determine whether it could be purchased through the TDC for use on that individual's light aircraft.
- On many occasions I was asked by one Board Member to fabricate letters to their superior, in order that they could claim reasons for making frequent trips to London.
- During overseas travel or visits with some Board Members I was asked to purchase goods and services on their behalf, and simply told to "bury it in my expenses".
- One Board member specifically instructed me to hire a consultant (who was their partner), on a one year rolling contract, and advised me what rate I should pay that individual on a daily basis.
- I was instructed by one Board member to increase the mid-year salary for one TDC employee, because that Board Member was having a personal relationship with the individual.
- More seriously I was instructed by two Board members to develop strategies for the "creative" dismissal of Fiona Deroulez, because both of the individuals had been, or were involved with Fiona. I will admit to you that (much to my personal regret) I put Fiona through a rigorous performance appraisal which was clearly biased, and ultimately resulted in her being made redundant. I admit this fact with a deep sense of regret, for if there was any one person in the Association who resisted the flagrant abuse of some Board Members over the operations of the Association, it was her! I should also advise you that the two Board members concerned deliberately set about to manipulate the discussions of the Board over the decision to push for redundancy.
- I was also instructed by one Board Member to issue a verbal threat to Fiona that if she used her knowledge of matters relating to Infotab in any public forum (or knowledge of discussions between the CEO's of the large companies who were then Members), we would delay her redundancy entitlement indefinitely. Fiona and I have remained good friends over the years, and I am fully cognisant of the matters which ultimately concerned the Board Member in question.

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I spoke with all three Board Members about this *ex-gratia* payment on a number of occasions leading up to my departure from TDC. I believe I called almost every day of my last week to ask the status of this request, and was told that it was in hand!

It was only on my last day at TDC that I received verbal approval from the three Board members concerned to make the payment. As authorised, I arranged for the amount to be paid by cheque and had it countersigned by another cheque signatory. I did ask the Board members concerned if this had received final Board approval, and was advised that not all Board Members had been reached to discuss the matter, however the amount of the payment would be cleared with the other Board Members when they became available. I gratefully accepted the payment and considered it as a general thank you from the Board for my efforts.

I was surprised some months later to receive the enquiry from Geoff and David Williams querying this payment. Given the general sensitivities over financial issues at TDC, I declined to deal with Geoff and instead took the opportunity to speak to the individual Board members concerned, prior to my discussions with you.

During my conversations with these Board members, I was told (to my surprise) that it was decided in the end not to consult with the other Board Members on the payment and that the query currently being raised on the accounts would be "handled by them" at the next Board Meeting by them. It was also suggested to me that I should simply say to you that this payment was made up of back-pay, untaken holiday entitlement, monies to cover my personal tax obligations as a result of paying for TDC Board dinners, etc. This I did, and I now face an allegation of impropriety because the three Board Members involved do not wish to make an admission of their approval of this payment.

Since your last Board Meeting I have spoken to the Board Members concerned asking them to clarify matters. It seems to me that none of them intend to do so, partly I believe because of their own impropriety with the TDC accounts in the past.

If you wish, I am perfectly prepared to work with Andersen's in reconciling some of these issues, and I am prepared to draft letters to each of the personnel departments and Chief Executives of the companies concerned, giving as full and as detailed an explanation as I can of specific instances in which their company representatives have misused the Association, they were appointed to safeguard.

In addition, if you wish, I am also willing to write to each of the other TDC trade and associate members to explain my position with regard to this matter, and request a full Annual General Meeting of the Association, in order to have these financial issues clarified once and for all.

This matter has now become a question of my personal integrity, and I am prepared to fight my corner in whatever way I need to maintain my own credibility and sense of honesty in this industry. I really do view this review by Andersen's as an opportunity to

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get some "issues into the open", and I would be pleased to work with you in any manner you deem appropriate to reconcile this matter amicably.

Marion, as you can imagine, I feel particularly aggrieved at what appears to be happening here. I can assure you that I will not let the lamentable failings of some of TDC Board (and I exclude you from the categorisation), to affect my own professional integrity. I think to date that I have suffered enough punishment, having endured 10 years in an environment where the greatest expectation of some of my Board was, "what can I charge to the TDC next."

I sincerely hope that this whole matter can be "put to bed" as soon as possible, for I cannot endure the idea that I am to be castigated for the failings of the very people who are about to watch an "open public flogging."

Marion, as always, my very warmest regards.



Ron Tully

Note:

Marion,

If you wish to discuss any of the issues in this letter please call me at my office (1-505-954-4469) or write to me at my office (I would appreciate limiting contact in this way over this issue). I should also advise you that I have provided a copy of this letter to both Robin Sommers and Leigh Park, in order that they are fully appraised of this ongoing matter.

On additional point. I suspect I shall lose some friends on the TDC Board as a result of this letter - I am advising you that I have not appraised them of the fact I have sent this document to you.

Kind regards



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