

JOHN LORO O'BRIAN
NEWELL W. ELLISON
W. THOMAS AUSTERN
HOWARD C. WESTWOOD
GERHARD A. GESELL
HUGH B. COX
W. GRAHAM CLAYTON, JR.
JOHN T. SAPIENZA
NESTOR S. FOLEY
DANIEL M. GRIBBON
HARRY L. SHNIDERMAN
DON V. HARRIS, JR.
WILLIAM STANLEY, JR.
WEAVER W. DUNNAN
J. RANDOLPH WILSON
ROBERTS S. OWEN
EDGAR F. CZARRA, JR.
WILLIAM M. ALLEN
DAVID B. ISBELL
JOHN B. JONES, JR.
PHILIP P. STANSBURY

DEAN G. ACHESON
JOHN G. LAYLIE
FONTAINE C. BRADLEY
EDWARD BURLING, JR.
JOEL BARLOW
DONALD HISS
J. HARRY COVINGTON
W. CROSBY ROOPER, JR.
JAMES H. HOLOTHUN
ERNEST W. JENNES
STANLEY L. TEMKO
JAMES C. MEKAY
JOHN W. DOUGLAS
HAMILTON CAROTHERS
JEROME ACKERMAN
HENRY P. SAUER
JOHN H. SCHAFER
ALFRED H. MOSES
JOHN LIMONNE ELLICOTT
H. EDWARD DUNKELBERGER, JR.

COVINGTON & BURLING

UNION TRUST BUILDING

WASHINGTON, D. C. 20005

REPUBLIC 7-5900

December 19, 1966

Frederick P. Haas, Esquire
General Counsel
Liggett & Myers Tobacco Company
630 Fifth Avenue
New York, New York

Cyril F. Hetsko, Esquire
General Counsel
The American Tobacco Company
150 East 42nd Street
New York, New York

H. Henry Ramm, Esquire
General Counsel
R. J. Reynolds Tobacco Company
Winston-Salem, North Carolina

Paul D. Smith, Esquire
General Counsel
Philip Morris Incorporated
100 Park Avenue
New York, New York

Addison Yeaman, Esquire
General Counsel
Brown & Williamson Tobacco Corporation
1600 West Hill Street
Louisville, Kentucky

Gentlemen:

This letter will confirm and summarize discussions which Mr. Temko and I have had over the past several weeks with you as the respective general counsel for Liggett & Myers Tobacco Company, The American Tobacco Company, R. J. Reynolds Tobacco Company, Philip Morris Incorporated and Brown and Williamson Tobacco Corporation. These discussions have concerned the development and operation of a legal documentary retrieval system for the general counsel of these

five companies and for a number of outside law firms retained by the respective companies for advice on various legal problems. If the commitments set forth in this letter are satisfactory, I would appreciate your indicating your approval on the enclosed copy of the letter and your returning the copy to us.

You have determined that we should establish and maintain such a legal documentary retrieval system in order to cope with the constantly ramifying mass of material that must be dealt with by counsel in affording advice. In the discussions you have also graciously suggested that in view of the previous and continuing retention of this firm jointly by you for overall legal guidance on many interrelated problems and in view of the firm's familiarity with the development of mechanized legal reference files, this firm should undertake this project.

You have previously requested and authorized us to enter into negotiations with International Information Incorporated of Philadelphia, Pennsylvania, for the performance, under our supervision and direction, of the mechanical and electronic services necessary to put this mass of material into a readily available retrieval system. You have also authorized us to enter into a separate contract with Mr. Simon O'Shea for services as a special consultant to this firm on various phases of the system's retrieval operations.

During the course of the discussions we have informed you that the services of International Information Incorporated, from November 17, 1966 through March 7, 1967, will cost an estimated \$167,000. You in turn have authorized us to furnish to International Information Incorporated a letter of intent covering this period and a subsequent 12-month period of operation of the system, and we have done so by letter of November 16th. We have furnished copies of that letter of intent to each of you.

You have also authorized us to enter into a final contract with this company in accordance with the letter of intent and your subsequent comments and suggestions. It is understood, however, that we will submit copies of the final contract documents to each of you prior to execution.

It has previously been indicated that the fees and other expenses for Mr. O'Shea's technical assistance to our firm will require, on the basis of present estimates, an expenditure of about \$4,000 per month, running over an eighteen-month period.

In addition to these disbursements for both the computer work and special assistance services, there will also be involved legal fees for the work of the lawyers in our firm. It is recognized that in the initial stages of this type of inherently complicated and in large measure pioneer retrieval project, it is difficult to determine firm figures for these fees and disbursements. You have asked that we keep you apprised of any unforeseen difficulties or substantial changes. You have also requested that we submit not less than monthly statements for all work on this program, including both contract payments, disbursements for special consultants, legal fees and other disbursements. You have also asked that we maintain special ledger accounts for that purpose.

You have further requested that these monthly statements be submitted in the form of a separate statement to each of you for a portion of the aggregate monthly amounts. You have asked that this portion be based on the domestic sales of the respective companies for which each of you is counsel, as estimated and published by John C. Maxwell, Jr. Until the calendar year 1968, these estimated sales shall be the estimated sales for the calendar year 1966. Converted to percentages, and rounded to the nearest tenth, these estimated sales for 1966 are the following:

R. J. Reynolds Tobacco Company	36.0%
The American Tobacco Company	26.9
Brown & Williamson Tobacco Corporation	15.5
Philip Morris Incorporated	11.9
Liggett & Myers Tobacco Company	9.7

For 1968 and subsequent calendar years such estimated sales shall be those for the preceding calendar year.

The participants in this program constitute, in addition to the five of you, the following law firms: Chadbourne, Parke, Whiteside & Wolff, for The American Tobacco Company, White & Case, for Brown & Williamson

Tobacco Corporation; Davis Polk Wardwell Sunderland & Kiendl, for R. J. Reynolds Tobacco Company; Webster, Sheffield, Fleischmann, Hitchcock & Chrystie, for Liggett & Myers Tobacco Company; and Conboy, Hewitt, O'Brien & Broadman, for Philip Morris Incorporated.

All of the participants look forward to the successful creation and functioning of this pioneer legal technique. Moreover, each of them has voiced the hope that it will prove to be a notable example and demonstration that modern information retrieval systems utilizing basic computer techniques can be developed into an invaluable tool in the practice of law. Even while cognizant of the difficulties that must be surmounted in this effort, we are deeply appreciative of your asking this firm to undertake this professional assignment for all of the lawyers concerned.

Sincerely yours,



APPROVED:



Frederick P. Haas
General Counsel
Liggett & Myers Tobacco Company