



PHILIP MORRIS

U. S. A.

120 PARK AVENUE, NEW YORK, N.Y. 10017-5592 TELEPHONE (212) 880-5000

March 3, 1993

Ms. Margery Kraus
President and Chief Executive Officer
APCO Associates Inc.
1155 21st Street, N.W.
Suite 1000
Washington, D.C. 20036

Dear Ms. Kraus:

This letter constitutes the agreement between APCO Associates Inc. ("APCO") and Philip Morris Incorporated, with offices located at 120 Park Avenue, New York, New York 10017 ("Philip Morris") pursuant to which APCO will perform services for Philip Morris in connection with issues relating to environmental tobacco smoke, indoor air and related issues ("ETS Issues").

1. Services. APCO will:

- (a) organize coalition efforts to provide information with respect to the ETS Issues to the media and to public officials;
- (b) assist Philip Morris in its efforts to discuss the ETS Issues in each of the states designated by Philip Morris; and
- (c) perform services reasonably requested by Philip Morris with respect to the ETS Issues.

2. Payment. In consideration for the services performed, Philip Morris will pay APCO \$37,500 per month. Philip Morris will pay APCO within ten days of receipt of an itemized invoice. Total payments to APCO will not exceed \$150,000 without the advance written approval of Philip Morris. APCO's fee is not contingent upon the success of any undertaking, except where and to the extent permitted by law.

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3. Expenses.

(a) Philip Morris will reimburse APCO, at cost, for reasonable expenses incurred in connection with research surveys, press conferences and related expenses in accordance with budgets submitted to, and approved in advance by, Philip Morris. Total expenses are not to exceed the total of estimated expenses included in the budget approved by Philip Morris without the advance written approval of Philip Morris.

(b) Philip Morris will also reimburse APCO, at cost, for reasonable miscellaneous expenses incurred in providing services, up to a maximum of \$20,000. Requests for reimbursement must be itemized and submitted monthly. Expenses in excess of \$25 must be submitted with receipts. Expenses in excess of \$250 which are not included in a budget approved by Philip Morris must be approved in advance by Philip Morris.

4. Term and Termination. The term of the Agreement commenced as of February 8, 1993 and will continue until the later of June 8, 1993 or complete performance of all services to the reasonable satisfaction of Philip Morris. Philip Morris may terminate the Agreement at any time upon written notice to APCO. If Philip Morris terminates the Agreement, Philip Morris will have no liability to APCO after the effective date of termination, with the exception of payment for fees accrued and documented expenses properly incurred prior to termination.

5. Records. APCO, its employees and agents will maintain detailed and accurate books and records of account with respect to activities undertaken on behalf of Philip Morris. Philip Morris or its designated agent may inspect, review and copy APCO's books and records at reasonable times during normal business hours upon reasonable, advance notice to APCO and at the expense of Philip Morris.

6. Confidentiality. APCO, its employees and agents will hold strictly confidential the terms of the Agreement and all information and materials provided by Philip Morris to APCO or created by APCO in performing the Agreement. The information and material will remain the property of Philip Morris. APCO will not use or disclose the terms of the Agreement or the information and materials to third parties, other than as contemplated by the terms of the Agreement, without the prior written consent of Philip Morris.

7. Indemnity. APCO indemnifies and holds harmless Philip Morris, its affiliates and their officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to APCO's errors, omissions or fault. APCO's obligation to indemnify and hold harmless will survive the termination of the Agreement.

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Philip Morris indemnifies and holds harmless APCO, its affiliates and their officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to Philip Morris' errors, omissions or fault. Philip Morris' obligation to indemnify and hold harmless will survive the termination of the Agreement.

8. Independent Contractor. APCO is an independent contractor and the Agreement shall not be construed to create an association, partnership, joint venture, relation of principal and agent or employer and employee between Philip Morris and APCO or its agents within the meaning of any federal, state or local law. APCO will not enter into any agreement, oral or written, on behalf of Philip Morris or otherwise obligate Philip Morris without Philip Morris' advance written approval.

9. Registration. APCO is responsible for registering and filing reports with federal, state and local governments in an accurate and timely manner at APCO's expense, if required by law or regulation, in connection with APCO's activities on behalf of Philip Morris. APCO will deliver copies of all reports, if any, to Philip Morris immediately upon filing. APCO will provide all necessary information and assistance to Philip Morris in a timely and accurate manner to enable Philip Morris to comply with filing and registration obligations it may have.

10. Miscellaneous

(a) The Agreement and all matters collateral hereto, shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York.

(b) APCO will comply with all applicable laws, regulations, and ordinances relating to your performance of the Agreement.

(c) The Agreement may not be amended or assigned except in a writing signed by both parties.

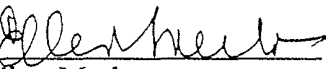
(d) Notices will be in writing and sent certified mail, return receipt requested, to the respective parties at their addresses set forth above. Notices to APCO will be sent Attention: Margery Kraus. Notices to Philip Morris will be sent Attention: Vice President, Corporate Affairs.

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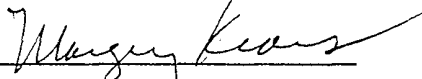
If the foregoing accurately sets forth our understanding, please signify your acceptance and agreement by executing and returning both copies of the Agreement to me. I will forward one fully executed copy to you.

Very truly yours,
PHILIP MORRIS INCORPORATED

By: 
Ellen Merlo
Vice President, Corporate Affairs

ACCEPTED AND AGREED:

APCO ASSOCIATES INC.

By: 

Date: March 10, 1993
Taxpayer I.D.# 13-3627625
Filing Status _____

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