

**SPECIAL THIS WEEK**

- U.S. Tobacco Weekly – February 9, 2017
- World Alert – February 8, 2017
- U.S. Legislative Report – February 9, 2017
- U.S. Tobacco Trade Barometer – December 2016

**FDA:** A newly-launched **FDA-CTP** [database](#) contains “grandfathered” determination information from standalone grandfathered submissions reviewed by the CTP. The database does not, however, provide grandfathered determinations from Substantial Equivalence applications (SE). •The **FDA’s** “Smokeless Doesn’t Mean Harmless” campaign may be doing more harm than good, write two public health researchers in a [commentary](#), noting the effort, an extension of the **FDA’s** “Real Cost” ad campaign, fails to provide the public the much-needed information on the relative risks of smokeless tobacco products, including eVapor products, compared to combustible cigarettes. •Tom Price was confirmed as **U.S.** HHS Secretary. Price, a Georgia Republican and a former orthopedic surgeon, is expected to

take his anti-Obamacare deregulatory fervor into **FDA** tobacco regulations as the HHS [lead cabinet member](#) that oversees **FDA** and is reportedly seen as cigar friendly by both pro- and anti-tobacco groups (TW, [halfwheel 2/10](#)).

**eVapor/THR:** Newer devices that use HNB technology have the potential to reshape ‘tobacco harm reduction’ strategies by more “closely” reproducing the experience of smoking and minimizing or eliminating the harmful compounds that form when tobacco ignites at high temperatures, according to a new [policy study](#) by Dr. Edward Anselm, a senior fellow of the R Street Institute. • Retailers thinking quickly, knowing fire safety, and being calm and attentive to a distressed consumer whose vaporizer malfunctioned and burst into flames can increase the chance that the incident has a “safe” conclusion, reports CSP, noting retailers can learn three lessons from the quick response and subsequent actions of Jason Davis, general manager of a Love’s Travel Stops & Country Stores location in Aurora, **Nebraska.** •Vytienis Andriukaiitis, **EU** Commissioner for Health and Food Safety, said he opposes eVapor products being marketed as ‘cool’ to attract youth, noting the practice is “just not acceptable.” Andriukaiitis added that while new EU law has “foreseen” specific eVapor safety standards, the devices “also need to feature a health warning.” If sold for smoking cessation, Andriukaiitis noted that its use must be done with consultation and follow-up by a specialist. •**Australian** TV personality Joe Hildebrand recently went public about using eVapor products for smoking cessation after smoking for nearly 25 years, an action, he said, technically classifies him as a criminal under Australian law because not only is it illegal to use nicotine in eVapor products, but also even writing the article promoting its purchase or use is illegal under *The NSW Public Health (Tobacco) Act 2008 - Section 15*, adding this is the “danger of policymaking based on a perfect ideal instead of an imperfect world” (TW, WA).

**Save the Date: TMA's 102nd Annual Meeting and Conference, May 10-12, 2017**

<http://conference.tma.org/>

**RAI 4Q & 2016 Results:** Reynolds American Inc. (RAI) [announced](#) that its reported EPS for 4Q16 rose 215.8% y-y to 60 cents and adjusted EPS was up 29.2% at 62 cents, as net sales increased to \$3.19 billion from \$3.05 billion in 4Q15 and operating income rose to \$1.49 billion from \$690 million. For full year 2016, RAI reported its EPS rose 65.4% y-y to \$4.25 with adjusted EPS up 16.7% at \$2.31, as net sales rose to \$12.5 billion from \$10.68 billion and operating income grew to \$10.57 billion from \$6.95 billion. **RAI’s** board of directors approved a quarterly cash dividend of 51 cents per share, up 10.9% y-y, payable on April 3rd to shareholders of record as of March 10th (Reynolds American Inc 2/9). After **RAI** (Outperform) 4Q16 reported figures were in line with Wells Fargo’s estimate and 2 cents above consensus, WF said the “solid” results reflect RAI’s “strong” competitive position and continued momentum behind Newport and Santa Fe, adding that while “slightly weaker than expected” volumes drove a topline miss, robust pricing and cost savings enabled “strong” margin outperformance. WF lowered its FY17 EPS estimate by 1 cent to \$2.57 and introduced a FY18 EPS estimate of \$2.79 (WF 2/9). Noting that **RAI’s** (Hold) 4Q16 adjusted EPS of 62 cents is 2 cents above its consensus, Stifel raised its FY17 EPS estimate by 1 cent to \$2.51, reflecting the “drag” from a lower level of NPM savings in the year, while maintaining its FY18 EPS estimate at \$2.72 (Stifel 2/9). After **RAI** (Hold) reported 4Q16 adjusted EPS of 62 cents, 2 cents

ahead of Morgan Stanley estimates, MS maintained its FY17 EPS outlook for RAI at \$2.55 (+10.7%), followed by moderation to 7-8% in FY18/FY19 citing normalizing cigarette industry fundamentals and the pending NPM cliff, adding that that the results reflect “strong” net pricing and synergy realization, which were above expectations due to stronger **RJR** revenue/EBIT growth (MS 2/10).

**Corporate Affairs & Finance - I:** Morgan Stanley's **U.S. Tobacco Scanner** category highlights include: (1) Flat cigarette industry sales y-y during the 4W period ending 1/28/17 (-0.3% L12W), with volumes -3.4% and price/mix +3.4%; (2) Moderated volume declines to -3.4% (-3.7% L12W), representing a reversion toward historical 3-4% annual volume declines in the preceding two years of “better than average volume trends”; (3) and growth in the eVapor industry sales measured channels accelerated with L4W up 29.3% (vs. +27.4% L12W) due to healthy volume growth of 18.9% (vs. +18.9% L12W, driven largely by **MO's** growth of 110.6%), and an improved price/mix (10.4% vs. 8.5% L12W). ●Wells Fargo notes in its “Nielsen - Tobacco ‘All Channel’ Data Through 1/28” report that strong industry pricing has offset volume declines, with flat cigarette sales during the recent 4-wk period ending 1/28/17 (-0.3% for 12-wks; +1.0% for 52-wks) driven by continued deceleration in volume -3.4% (vs -3.7% eq. unit volume for 12-wks), adding that despite solid +3.5% pricing, WF expects total cigarette industry volumes to decline around -3.4% in full year 2017 as the industry reverts to historical decline trends of down 3-4%. ●**Altria Group, Inc.** announced that it will webcast a presentation by Chairman/CEO Marty Barrington at the annual Consumer Analyst Group of New York conference in Boca Raton, Florida, on Feb. 22<sup>nd</sup> at approximately 9:15 a.m. ET (Business wire 2/9). ●Stifel released its [Philip Morris International - RRP Primer](#) report which outlines its outlook for IQOS and RRP's for PMI and the industry highlighting the “game-changing” technology that could “significantly shift the trajectory of growth in the industry.” ●After **U.S. Smokeless Tobacco Company** voluntarily recalled dozens of smokeless tobacco products under its Cope, Copenhagen, Husky and Skoal brands, following complaints from some consumers in **Indiana, Texas, North Carolina, Tennessee, Wisconsin and Ohio**, parent company **Altria Group, Inc.** said in a statement that it was working with authorities to investigate whether the products were tampered with, adding that “[w]e believe this was a deliberate, malicious act by an individual or individuals familiar with the quality and safety procedures at its Franklin Park, IL facility.” **USSTC** said it has pulled out from stores 97% of the “defective” smokeless tobacco products, with Steve Callahan, a **USSTC** spokesperson, saying “[w]e are focused on moving swiftly, not only to get recalled product off the shelves, but to replenish stock.” Motley Fool contributor Dan Caplinger said that because smokeless tobacco has been a growth driver for Altria, if the company doesn't continue to handle the recall effectively, including well managing the reputation of the Copenhagen brand, there could be long-term damage done to the business, which could determine the segment's future performance. ●Morrisville, **North Carolina**-based leaf dealer [Alliance One International, Inc](#) reported a net loss of \$15.5 million, or \$1.73 per basic share, for 3QFY17 ended Dec. 31, 2016, compared to net income of \$11.7 million, or \$1.32 per basic share, in the corresponding period of the previous year, as gross profit declined to \$65.2 million from \$68.7 million and sales and other operating revenues fell to \$454.5 million from \$491.1 million. Operating income remained almost flat at \$38.7 million in 3QFY17. ●George C. Freeman, III, Chairman/President/CEO of Richmond, **Virginia**-based leaf dealer [Universal Corporation](#) announced that the company's board of directors declared a quarterly dividend of 54 cents per share payable May 8<sup>th</sup> to shareholders of record as of April 10<sup>th</sup>. **Universal Corp.** reported a net income of \$53.6 million, or \$1.92 per diluted share, for 3QFY17 ended Dec. 31, 2016, up from \$44.5 million, or \$1.60 per diluted share, in the corresponding period of the previous year, while operating income rose to \$83.2 million from \$69.2 million and consolidated revenues increased to \$668.8 million from \$584.6 million. ●**Tabacalera USA (ITG Brands)** announced the appointment of Rob Norris, CEO of JR Cigar, as general manager of its Altadis USA premium cigar division. ●After registering a 9.2% loss in Nov. 2016, prompting fund managers to sell tobacco settlement bonds to meet redemptions during the bond-market tumult following Donald Trump's presidential victory, the securities returned 7.7% in the past two months, four times more than investment-grade debt, as cigarette shipments declined at a slower pace than earlier, according to Bloomberg Barclays indices (TW).

**Corporate Affairs & Finance – II:** Highlights of **JTI** reported 2016 financial results include: (1) 8.5% and 13.4% growth in core revenue and adjusted operating profit, respectively, driven by a robust price/mix; (2) 5.0% decline in adjusted operating profit, due to unfavorable currency movements; and (3) 1.2% and 3.7% increases in total and GFB shipment volumes, respectively, driven by market share gains, growth in seeding markets, acquisitions, and favorable trade inventory adjustments primarily in 1QFY17. **JTI** said its cigarette shipments to Russia declined 8.6% y-y in 2016, with the company attributing it to a 5.1% drop in the overall domestic cigarette market and growing competition in the low-price segment. ●**Japan Tobacco Inc.** said it expects to sell 96 billion cigarettes on the domestic market in 2017, down 9.6% y-y, the steepest decline since the company was privatized in 1985, primarily due to a drop in consumption as an increasing number of people switch to non-combustible alternatives amid health concerns. ●**JT**, which in March 2016 began selling its **Ploom TECH** tobacco vapor device in about 900 c-stores and retail outlets in Fukuoka Prefecture, **Japan**, as well as via an online store, is pending tens of billions of yen to ease the capacity constraints that are preventing the company from selling the product nationwide, with JT's

vice president of emerging products Yasuhiro Nakajima saying “[w]e are improving the **Ploom TECH** supply situation but to be honest it is taking some time,” a state of affairs that has reportedly left **JT** a “frustrated bystander” while **Philip Morris International** has captured 5.5% of the country’s cigarette market with its **iQOS** heat-not-burn device since releasing it nationwide in April 2016. In an earnings briefing on Feb. 6th, **JT** CEO Mitsuomi Koizumi said although the nationwide rollout of **Ploom TECH** has been delayed until 1H18 due to supply issues, the company is planning to pay a dividend of 140 yen (US\$ 1.25) per share this year, up almost 8% y-y, to underline a “very strong feeling on **Ploom TECH**’s growth” prospects. ●Kohta Satake, founder and CEO of **CureApp Inc.**, which develops mobile apps to treat ailments including tobacco addiction in **Japan**, said the group received 380 million yen (US\$ 3.4 mn) this month from investors including Nomura and Keio’s venture-capital partnership. The fund will reportedly develop new products and expand its market in the **U.S.** (Bloomberg News 2/9). ●**PMI Korea** will likely launch its **iQOS** HNB device in **South Korea** this year, a move, industry observers believe, could intensify competition on the domestic market, which is dominated by **KT&G**, **BAT** and **JTI**, although **PMI Korea** said it has yet to decide a specific timeline for the release. ●**Imperial Tobacco Czech Republic** reported a 45% y-y drop in profits to 285.3 million koruny (US\$ 11.3 mn) for FY16 ended Sept. 30, 2016, as sales fell by about 550 million koruny (US\$ 21.9 mn) to 11.57 billion koruny (US\$ 460.3 mn), according to the company’s annual report (WA).

**Sales, Distribution and Marketing:** The **Cigarette Store Corp.** (TCSC), owner and operator of ‘**Smoker Friendly**’ retail stores, has finalized its acquisition of “Cigars on 6<sup>th</sup>” a premium tobacconist and cigar store located in Denver, **Colorado**. ●**Casa de Montecristo Inc.** announced three new “ground-up” retail stores as part of its premium cigar store program that includes company-owned stores and licensed-based partnerships with established premium cigar retailers in the **U.S.** ●The **Pembroke Board of Health (Massachusetts)** voted on Feb. 6<sup>th</sup> to raise the minimum age to purchase tobacco products from 18 to 21; no effective date was determined as a decision will probably be made in the next month, the board reportedly said. ●**Michigan**’s Ann Arbor City Council member Julie Grand, (D-3rd Ward) on Feb. 6 said the city’s ‘**Tobacco 21**’ ordinance isn’t going down without a fight, noting: “It is my expectation and hope that we will vigorously defend our position to protect the health of our community,” referencing the Attorney General Bill Schuette’s recent opinion that said the **State’s Age of Majority Act of 1972** preempts a city ordinance approved by the Ann Arbor City Council last summer that increased the tobacco and eVapor purchasing age from 18 to 21. ● Ann Arbor Mayor Christopher Taylor (D) is taking to Facebook to defend the city’s ‘**Tobacco 21**’ ordinance, noting retailers are “obligated” to continue to comply with the law as it “remains on the books,” adding that if the law is challenged, he will do “everything” to ensure that it is successfully defended. ●In addition to raising **Indiana**’s excise tax on cigarettes by \$1.50 to \$2.495 per pack and increasing the minimum age to purchase tobacco products to 21, **House Bill 1578**, authored by Rep. Cindy Kirchhofer (R-Beech Grove), and coauthored by Reps. Cindy Ziemke (R-Batesville) and Charlie Brown (D-Gary), that is currently in the State’s House Ways And Means Committee, also includes a provision to repeal smoker protection laws, which are State statutes that protect tobacco users from discrimination from employers or potential employers. ●The **Kentucky Health Issues Poll** (KHIP) said that 6 in 10 **Kentucky** adults support raising the minimum sales age to purchase tobacco products from 18 to 21. Adults were divided across political lines for support for a State excise tax increase to \$1 per pack (from the current rate of 60 cents per pack), with 51% opposed and 45% favored among Republicans, Democrats, and Independents alike. ●The First Bench of the Madras High Court in Tamil Nadu, **India**, comprising of Chief Justice S.K. Kaul and Justice M. Sundar, dismissed a public interest litigation (PIL) filed by an individual who asked the court to direct State officials to ensure that tobacco product sales are banned around educational institutions, with the court noting that the **Cigarettes and Other Tobacco Products Act, 2003** already contains such a provision. ●The **Everyday Health Survey on Tobacco** of 736 people in Queensland, **Australia**, released by Cancer Council Queensland on World Cancer Day on Feb. 4th, showed that 58% of the respondents supported banning people born after 2001 from buying or smoking cigarettes and 85% supported increasing the legal age of those selling tobacco products to over 18, while 66% supported a total ban on smoking in all pubs and clubs. The survey also found that 84% believed smoking should be banned within 10 meters of a child and 70% thought apartment balconies should be smoke-free (TW, WA).

**Product Content & Labeling:** The **UK** government is offering guidance to manufacturers of tobacco products and herbal products for smoking that are required to provide certain information, including ingredients, emissions and sales data, before making them available for sale, in line with the EU’s revised **Tobacco Products Directive**, which came into effect on May 20, 2016. ●**Swedish Match** said it intends to appeal the Swedish Patent and Market Court’s recent judgment that stated the company breached competition legislation when it designed and implemented a standardized labeling system placed in its own snus coolers in stores that communicate brand, taste, format and price, noting such labeling is “common practice for almost all product categories in stores” (WA).

**Vaping/Tobacco Use Restrictions:** Washington State's [House Bill 1919](#), sponsored by Rep. Brandon Vick, (R-Vancouver) would permit the smoking of tobacco products in designated indoor areas with special ventilation by: (1) establishing a special license endorsement for cigar lounges and retail tobacconist shops; and (2) require employees to sign a declaration affirming they are active smokers and that they understand the risks posed by environmental tobacco smoke, as well require blood tests to prove they smoke (thenewstribune.com 2/10). ● **Arizona** State's [HB 2335](#) which would raise the tobacco and eVapor product purchase sales age to 21 failed to get the needed second reading to advance this session in the House Commerce Committee, with committee chairman Rep. Jeff Weninger, (R-Chandler), noting: "If someone is a legal adult and can serve their country in the armed forces, then I believe they can decide whether or not to smoke" (Arizona Republic 2/10). ● On Feb. 8<sup>th</sup>, the Fort Smith Parks and Recreation Commission (**Arkansas**) approved an ordinance that bans smoking and smokeless tobacco use in city parks. The Fort Smith Board of Directors has to approve the ordinance for it to go into effect. ● On Feb. 7<sup>th</sup>, the Paso Robles City Council (**California**) voted to advance an ordinance banning smoking, eVapor, pipes, cigars, and cannabis use in public places. The second reading vote is set for Feb. 21<sup>st</sup>. ● In his annual state of the city address, Louisville, **Kentucky**, Mayor Greg Fischer called on the Metro Council to expand the city's smoking ban to add eVapor products and hookahs, noting that the surge in the use of these products is "a dangerous shift" from traditional cigarettes. ● The **Kentucky** Senate Education Committee approved [Senate Bill 78](#) sponsored by Sen. Ralph Alvarado (R- Winchester) that would ban the use of tobacco and eVapor products on public school property and at school-sponsored activities ● The Board of Aldermen in St. Louis, **Missouri**, unanimously passed a measure prohibiting the use of smokeless tobacco products at all sports venues hosting professional, collegiate, high school or organized amateur sporting events, with the law to apply to players, spectators and employees. ● The **Japanese** Health, Labor and Welfare Ministry, which is scheduled to submit to the Diet a bill that would ban smoking in all public places, is considering amending the proposal to exempt alcohol-serving bars, pubs and cabarets with a total floor size of up to 30 square meters, amid concerns that a wide-ranging ban would hurt the revenues of small businesses (Yomiuri Shimbun 2/9, TW).

**Consumption Trends, Cessation & Research – I (eVapor):** Among 1,080 ever-eVapor users, 26.1% of high school students within the user group reported using the devices for dripping, a process that users said increases the effect from the nicotine liquid and makes flavors taste better by dripping it directly onto the device's heating coil, according to research at **Yale University** published Feb. 6<sup>th</sup> in journal [Pediatrics](#). The researchers noted their findings pose concerns because while existing evidence is limited, it suggests "dripping e-liquids may lead to higher levels of non-nicotine toxicant emissions." ● A cross-sectional case-control study of 42 individuals, including 23 self-identified habitual users of eVapor products and 19 nonusers, conducted by researchers at the **University of California, Los Angeles** and published in the journal *JAMA Cardiology*, found that compared to nonusers, habitual users of eVapor products were more likely to exhibit signs of two heart risk factors - oxidative stress that hinders the body's ability to defend itself against free radicals, and higher levels of adrenaline in the heart, which can lead to an increased heart rate and high blood pressure (UCLA Newsroom 2/9). ● A [study](#) conducted by scientists at the **University of Michigan** and published in the journal *Tobacco Control*, which involved about 350 randomly selected teens from a major survey involving 122 schools around the **US** who were asked about their smoking habits in the 12<sup>th</sup> grade and then followed up a year later, found that among teens who said they had vaped in the 12th grade but had never tried a traditional cigarette, 31% went on to try tobacco cigarettes in the next year, while among teens who did not vape or smoke in the 12th grade, just 7% graduated to tobacco cigarettes in the next year, suggesting that vaping could serve as a gateway to smoking. ● A [study](#) led by Dr. Ana María Rule at the Johns Hopkins Bloomberg School of Public Health in Baltimore, **Maryland**, and published in the journal *Environmental Research*, which analyzed e-liquids in five brands of so-called first generation eVapor products that resemble traditional cigarettes for traces of elements such as lead, cadmium, chromium, manganese and nickel, found that all the brands contained the five metallic elements, although their levels varied by brand, with the researchers noting that the main source of the metals could be the coil that heats the liquid creating the aerosol inhaled by users. ● A study published in the peer-reviewed journal *Applied In Vitro Toxicology* and conducted by **BAT** scientists, which examined gene and protein expression in reconstituted human lung cells exposed to smoke from a reference cigarette (3R4F) and cells exposed to vapor from Vype ePen, a commercially available eVapor device, found that tissue exposed to cigarette smoke exhibited changes in the expression levels of 123 genes, compared to only two genes for tissue exposed to aerosol from Vype ePen ● A pilot study created by the **UK-based** University of London (St. George) in conjunction with **Public Health England** is looking for 100 "heavy smoker" volunteers as part of the EU's £3.4 million (US\$ 4.24 mn) Smoke-Free Brain project to monitor how the measures of toxicity change when smokers switch to eVapor products. ● The [ECtra Study](#), which is funded by Cancer Research (**UK**) and led by a team at the University of East Anglia in partnership with London South Bank University, aims to gather eVapor users' experiences to analyze each device's effectiveness for smoking cessation and/or relapse in an effort to inform future policy and practice recommendations for smoking-based interventions. ● A [study](#) led by Dr Lion Shahab of the

University College London in the **UK** and published in the journal *Annals of Internal Medicine*, which examined 181 individuals, including smokers of only combustible cigarettes, former smokers with long-term use of only eVapor products, former smokers with only long-term nicotine replacement therapy (NRT) use, long-term dual users of both combustible cigarettes and eVapor products, and long-term users of both combustible cigarettes and NRT, found that after six months, individuals using only eVapor products or NRT had significantly lower metabolite levels of tobacco-specific nitrosamines (TSNAs) such as NNAL and volatile organic compounds (VOC) in their urine and saliva samples, compared to those who used only combustible cigarettes, dual combustible cigarette–eVapor products, or dual combustible cigarette–NRT users, with those using only eVapor products having considerably lower NNAL levels than all other groups (TW, WA).

**Consumption Trends, Cessation & Research - II:** In the Feb. 8<sup>th</sup> [Academic Minute](#), Xiaosi Gu, Assistant Professor at the School of Behavioral and Brain Sciences at the **University of Texas** at Dallas, explores the question whether it is one's brain to blame for nicotine cravings, noting that her research shows that "satisfy a nicotine craving, smokers had to not only smoke a nicotine cigarette, but also believe that they were smoking nicotine." ●A [study](#) conducted by scientists from the **U.S.** Department of Energy's Lawrence Berkeley National Laboratory in **California** and published in the journal *Scientific Reports*, which examined the effects of exposure to thirdhand smoke (THS) on bodyweight and blood cell volumes in neonatal and adult mice, found that THS-treated male and female mice had significantly lower bodyweight than the control group. ●The results of a randomized [clinical trial](#) by scientists at the Medical University of **South Carolina** found that after two one-hour sessions of 'extinction therapy,' smokers used 'significantly' fewer cigarettes a day one month after treatment compared to a control group (seven, compared to 10 for the control group). ●A [study](#) conducted by researchers at **Sweden's** Umea University, Lund University and the Karolinska Institute and published in *The Journal of Internal Medicine*, which tracked 54,531 snus users between 1990 and 2013, found that compared to never smokers, those who used one or more pots of snus per day had a 70% increased risk of developing type 2 diabetes, similar to that of pack-a-day smokers, while those using 5-6 pots per week raised their risk by 40%, suggesting that smokers who switch to snus believing that it is a safer alternative to cigarettes are not likely to reduce their risk of developing type 2 diabetes. LarsErik Rutqvist, head of scientific affairs at **Swedish Match**, said "[t]he collective scientific documentation regarding snus and diabetes shows that there are six recently published studies that [don't] show an increased risk, but in this one study, there is an increased risk for those using more than five cans of snus each week," adding that "[w]hen six studies say one thing and there comes a seventh saying something different, I think that you should be cautious in drawing any conclusions" (Tobacco Reporter 2/8). ●**Singapore** Health Minister Gan Kim Yong said the 2015 Student Health Survey showed that smoking prevalence among secondary school students declined to 2% from 6.2% in 2012, adding that the health ministry will continue to strengthen tobacco control programs as part of a multi-pronged strategy to curb smoking. ●Manulife, a **Canadian** insurance company, announced that nicotine tests will no longer be required for eligible applicants aged 18 to 40 on life insurance policies that pay up to \$1 million in benefits (TW, WA).

**In Court:** The **Florida** House Civil Justice & Claims Subcommittee on Feb. 9<sup>th</sup> "temporarily postponed" consideration of [HB 6011](#), sponsored by State Rep. Danny Burgess (R-Zephyrhills), that sought to repeal the cap on the amount of money tobacco companies have to put up as bonds before they appeal unfavorable court rulings in personal injury or wrongful death lawsuits. With its companion bill in the Senate, [SB 100](#) sponsored by Sen. Greg Steube (R-Sarasota), also indefinitely put off, the proposal's fate is uncertain for the 2017 legislative session (SaintPetersBlog 2/9). ●In an *Engle* progeny case filed by the estate of Malcolm Fox, who served in the armed forces during World War II, attorney Steven Hammer told a **Florida** jury that **R.J. Reynolds Tobacco Co. concealed the health risks of smoking and "sowed doubt around many scientific findings about the dangers of cigarettes."** ●In an *Engle* progeny case filed by the estate of Totsie Fleming, which claimed that **RJ Reynolds** concealed the health risks of cigarettes, leading to Fleming's nicotine addiction and ultimately her death in 2009 of smoking-related COPD, the 10<sup>th</sup> Circuit Court of **Florida** ruled that although Fleming's nicotine addiction and her history of smoking RJR cigarette brands was the legal cause of her fatal COPD, she knew or should have known she had COPD on or before May 5, 1990, the statute of limitations' "cut-off" date for Engle plaintiffs. ●A Federal judge has scheduled a hearing on May 12<sup>th</sup> to decide whether or not to dismiss a consolidated class-action lawsuit against **Santa Fe Natural Tobacco Co** and its parent company **Reynolds American Inc.**, in which the plaintiffs claim that the marketing of **Natural American Spirit** violates deceptive and unfair trade practices statutes (TW).

**Taxation & Illicit Trade:** **Hawaiian** State lawmakers are reportedly exploring a measure that would implement as-of-yet-undetermined wholesale tax on eVapor products that contain nicotine. ● In her [State of the State address](#), **Oklahoma** Gov. Mary Fallin urged lawmakers to increase the State's \$1.03 per pack cigarette excise tax, as part of efforts to offset a roughly \$870 million budget deficit. ●**Virginia** legislators tabled bills this session that would have allowed counties to impose a cigarette excise tax as the General Assembly will study the effects of

reforming State and local taxes in the coming year, said Jeremy Farley, the Wythe County Public Information Officer. ●Data released by the Indirect Taxation Authority of **Bosnia and Herzegovina** showed that cigarette consumption declined 12.3% y-y in 2016, primarily due to an increase in the excise tax rates of cigarettes and fine cut tobacco. ●The **South Korean** National Tax Service and the Ministry of Interior ordered **PM Korea** and **BAT Korea** to pay 218 billion won (US\$ 189.9 mn) and 89 million won (US\$ 77,500) in taxes, respectively, after an audit showed that the firms allegedly evaded taxes by stockpiling cigarettes before a 2,000 won (US\$ 1.74) per pack cigarette tax hike took effect in Jan. 2015 and releasing them in the market afterwards (Yonhap News Agency 2/10). ●On Feb. 8<sup>th</sup>, the **Singapore** Immigration & Checkpoints Authority announced that it seized 4,844 cartons of duty-unpaid cigarettes from a **Malaysia-registered lorry** carrying a consignment of cooking oil at Woodlands Checkpoint. The smuggled cigarettes would have evaded duty of S\$ 382,600 (US\$ 270,000) as well as Goods and Services Tax amounting to S\$ 23,320 (US\$ 16,500) (Yahoo News Singapore 2/7, TW, WA).

**Cannabis:** Cannabis companies report obstacles in their philanthropy efforts for donating cannabis-funded monies to nonprofit organizations, which include regulatory issues where banks will not handle money earned by cannabis products, to organizations that receive Federal funding citing fears of losing its non-profit status if it accepts donations from cannabis companies; to misunderstandings between cannabis businesses and non-profit organizations that believe that the donations are industry tactics for marketing to increase the visibility of its products. ●The **UK-based GW Pharmaceuticals** recently unveiled preliminary data from a mid-stage study on an experimental drug combining cannabidiol and THC that suggests cannabis increased the median survival rates by about six months compared to a placebo of patients diagnosed with glioblastoma multiforme, a type of brain cancer that reportedly on average leaves 70% of patients dead within two years of being diagnosed (International Business Times 2/9). ●**Israeli** ministers on Feb. 5<sup>th</sup> endorsed a draft bill to legalize the export of cannabis for approved medical use, Justice Minister Ayelet Shaked's office said, without elaborating as no date was set for a first reading. In January last year, **PM** reportedly invested \$20 million into Israeli company **Syqe**, which produces precision inhalers for medical cannabis. ●**Canadian** Health officials are voicing their concerns about legal cannabis ushering in the normalization of smoking in a new editorial in the [Canadian Medical Association Journal](#), suggesting that as the normalization of smoking cannabis becomes more accepted, there could be a step backward in tobacco control "accomplishments," adding that instead, policies should "prefer safer" methods of consumption to reduce risks of cancer and respiratory issues, citing 33 "known" carcinogens present in cannabis smoke (TW, WA).

**Society & Politics:** A new exhibit "Cross Country: The Power of Place in American Art, 1915-1950" will open on Feb. 12<sup>th</sup> at the High Museum of Art in Atlanta and showcase how American artists found inspiration in rural landscapes during an era of modernist art that was more associated with cities. ●Caroline Kitchens writing for *Real Clear Health*, said that 'failures' in federal tobacco policy contribute a 'hostile' regulatory climate for 'tobacco harm' reduction and innovation and advises the government to: (1) reduce tobacco-related 'death and illness' by reorienting policies across agencies to focus on 'harm reduction,' vs. 'abstinence' models, and (2) Embed 'relative risks' principles into both public health campaigns and eVapor products' marketing (2/8). ●**R.J. Reynolds** is reportedly holding meetings with civil rights leaders, including Rev. Al Sharpton and former Florida Congressman Kendrick B. Meek, to mobilize under "Decriminalizing the Black Community" events, which includes topics that discuss the unintended consequences to the black community of policies that would ban menthol cigarettes (FairWarning 2/9). ●Brian J. Malkin joined Arent Fox's food, drug, medical device and agriculture practice, where among many things, he will advise customers on patent law and food and drug law issues. Malkin's regulatory experience includes **FDA-regulated products, including tobacco** (TW, tobaccoreporter 2/10).

**Leaf, Production & Trade:** A Federal judge in **Kentucky** on Feb. 6<sup>th</sup> signed an order canceling a trial scheduled for March in a lawsuit filed by a group of Mexican migrant workers, who claimed that the owners of tobacco farms where they worked underpaid them in violation of [Federal labor laws](#), after the parties entered into an \$81,308.71 settlement. ●Margaret Wurth, a researcher with the Children's Rights Division of Human Rights Watch, said that when multinational tobacco companies hold their annual shareholder meetings in the next few months, investors should use the opportunity to speak out against child labor on tobacco farms and urge the companies to do more to end the practice, which, according to a recent [HRW report](#), is a particular problem in **Indonesia**, where children as young as 8 work in hazardous conditions on small-scale farms to help support their families (Human Rights Watch 2/9). ●Latest data from the **Korea Customs Service** showed that South Korea exported cigarettes worth US\$ 1.01 billion in 2016, up 11% y-y, driven by growing demand from the **Middle East and Japan.** The data also showed that the country imported cigarettes and leaf tobacco valued at US\$ 414 million in 2016, up 20.8% year-year. ●**Kyrgyzstan** imported 281.61 million cigarette packs worth 4.193 billion soms (US\$ 60.4 mn) in 2016, according to data released by Kubanychbek Kumashov, deputy head of the State Tax Service (TW, WA).