

LAW OFFICES OF  
**DECHERT PRICE & RHOADS**

477 MADISON AVENUE  
NEW YORK, NY 10022-5891  
(212) 326-3500

PRINCETON PIKE CORPORATE CENTER  
P.O. BOX 5218  
PRINCETON, NJ 08543-5218  
(609) 520-3200

THIRTY NORTH THIRD STREET  
HARRISBURG, PA 17101-1603  
(717) 237-2000

TEN POST OFFICE SQUARE SOUTH  
BOSTON, MA 02109-4603  
(617) 728-7100

90 STATE HOUSE SQUARE  
HARTFORD, CT 06103-3702  
(860) 524-3222

4000 BELL ATLANTIC TOWER  
1717 ARCH STREET  
PHILADELPHIA, PA 19103-2793

TELEPHONE: (215) 994-4000  
FAX: (215) 994-2222

1500 K STREET, N.W.  
WASHINGTON, DC 20005-1208  
(202) 626-3300

65 AVENUE LOUISE  
1050 BRUSSELS, BELGIUM  
(32-2) 535-5411

TITMUSS SAINER DECHERT  
2 SERJEANTS' INN  
LONDON EC4Y 1LT, ENGLAND  
(44-171) 583-5353

151, BOULEVARD HAUSSMANN  
75008 PARIS, FRANCE  
(33-1) 53 83 84 70

ROBERT C. HEIM  
Direct Dial: (215) 994-2570

December 29, 1997

Charles R. Wall, Esquire  
Senior Vice President and Deputy General Counsel  
Philip Morris Companies, Inc.  
120 Park Avenue  
New York, NY 10017

Dear Chuck:

As you suggested, I am writing in response to your letter of December 4, 1997 to offer some thoughts on the subject of containing costs and maintaining competitive billing rates.

At the outset, you are, I hope, aware of how professionally and personally gratifying it is for us to work closely with you, John, Greg, Jim and others - both lawyer and non-lawyer - in the Philip Morris Legal Department. We are mindful of the enormous importance of the work, and the pressures attendant upon it which exist for the inside lawyers at least as much as for outside counsel. Having the benefit of the strategic and substantive thinking that comes from the inside PM lawyers, especially when blended with the contributions of other national counsel firms, is invaluable to achieving the "one firm" concept that distinguishes this representation from all others. You have our commitment to continue to provide the Company with our best lawyers doing everything we can to advance Philip Morris' objectives in 1998 and beyond.

On the subject of fees and costs, we are cognizant of how the scope and pace of litigation must have affected fees and costs during the past year. To assist with better controlling costs and administering a number of our document center tasks, we have decided to hire a

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