July 27, 1979   CONFIDENTIAL

Mr. V. B. Lougee, III, President and Chief Operating Officer

R. S. Sprinkle, III, Research and Development Director

Weekly Report - Product Development and Product Improvement

GENERAL

Production schedules for next week include 90 million CARLTON 100's
Filter, 50 million CARLTON 100's Menthol, 10 million CARLTON Filter
Box, 30 million TAREYTON Lights, 33 million TAREYTON Long Lights,
12 million TALL Filter 120's, 5 million TALL Menthol 120's, 2 million
AMERICAN LIGHTS Menthol 120's, 28 million PALL MALL Light 100's,
21 million PALL MALL Light 100's Low Tar Menthol, and 10 million
PALL MALL Extra Light Cigarettes.

PRODUCT DEVELOPMENT

1. Project RCL - We acknowledge approval of our recommendation
    to modify the input tobacco formulation of RC-TM reconstituted
    tobacco. All concerned departments have been advised of the
    modification and a revised formula reflecting the reduction
    in "C" stems and "A" fines utilization has been issued. Hanmer
    Division will initiate first production during the week of
    August 6.

2. Project TC - Factory trials are continuing at Durham Branch
    utilizing MONTCLAIR filter rods in the manufacture of HALF
    AND HALF Cigarettes. Preliminary smoke data indicates "tar"
    delivery will be reduced to 18 mg per cigarette through
    incorporation of the more efficient cellulose acetate filter
    tow item. Complete laboratory testing is under way to ensure
    that all quality parameters will be maintained with the pro-
    posed modification.

3. Filter Cigarette Development - Preliminary laboratory analyses
    of SILVA THINS Filter Cigarettes fabricated at Durham Branch
    during a 3-day manufacturing trial with a modified tobacco
    blend formulation indicate improvements in quality parameters.
    A thorough review of this potential modification to incorporate
    8% FET-55G tobacco component in SILVA THINS is under way and
    will be discussed in depth with the Department of Manufacture
    prior to further consideration for additional work and/or
    recommendations.