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American Legacy Foundation

October 6, 2009

Mr. William Treanor, Publisher
Youth Today
1331 H Street, N.W., Suite 701
Washington, DC 20005-4737

Dear Mr. Treanor:

The October issue of *Youth Today* features an article about the American Legacy Foundation®, its mission, business practices, investments and expenditures over the past decade. Legacy was created as a result of the 1998 Master Settlement Agreement (MSA) between 46 state Attorneys General and the tobacco industry. Our organization's mission is two-fold: to build a world where young people reject tobacco and anyone can quit. Under that mission, our goals are to help teens never to start smoking and to arm adults with the tools they need to stop what can be a lifelong, and deadly, tobacco addiction.

Legacy observes its tenth anniversary this year, and we are extremely proud of our decade of accomplishments. We welcome scrutiny and respect legitimate differences in opinion. However, we are concerned by the inaccuracies and innuendo in your series of articles, *The Truth About American Legacy*. Your use of unsourced criticisms is telling. Together we write as the organization's current and past two Board Chairs to refute the misinformation contained in the article. Having guided Legacy over the past decade, we can attest that in large part, this reporting could not be further from the truth.

First, the article maintains that youth smoking rates have hit a plateau and therefore the Foundation's **truth**® youth smoking prevention campaign is no longer effective. Both assertions are inaccurate. Monitoring the Future (MTF), the state of the art barometer of youth smoking prevalence, reported in December 2008 that, "Cigarette smoking rates among American teens in 2008 are at the lowest levels since at least as far back as the early 1990s." Please note the chart detailing the rise and fall of youth smoking rates from 1991 to 2006 featured at the end of this letter.

In turn, published, peer-reviewed research shows that the Foundation's award-winning **truth**® campaign remains highly effective and cost efficient and your series does not even acknowledge this. For example, in this year alone, three separate research papers released by the *American Journal of Preventive Medicine* (AJPM) and *Ethnicity and Health* found that **truth**® was directly responsible for keeping 450,000 teens from starting to smoke during its first four years (through 2004) and that the campaign not only paid for itself in its first two years, but also saved between \$1.9 and \$5.4 billion in medical care costs to society.

The articles also claim that **truth**® is not active on social networking sites or the Internet. For the record, there have been more than 6.6 million visits to

truth® Web properties in the past three years (2007-2009). Since 2007, there have been more than 608,000 viral distributions of the **truth**® message by teens via widgets and e-mails. Furthermore, the campaign currently has a presence on Facebook, YouTube, Bebo, MySpace, Hi5, Xanga and Imeem, where we have more than 128,000 total social network friends.

Second, the series raises concerns about the organization's investment strategies, confusing sophisticated portfolio management with risky investing, which is certainly not the case. In fact, our investments have outperformed most market indices with the result that we have more, rather than less, resources to fund our life-saving programs. Our financial statements are audited annually by outside, independent auditors consistent with all legal requirements as well as best practices. We have never received anything other than a clean audit. Further, our Board of Directors is actively involved in reviewing and approving Legacy's investment strategy.

According to the Federal Trade Commission, the tobacco industry spends about \$34 million each day and \$12.4 billion each year marketing its products in the United States alone. Such a formidable force requires creative campaigns and initiatives for the long haul - not just a band-aid, temporary fix. For the past ten years, Legacy has made financial decisions and investments with the goal of maintaining its existence while implementing innovative campaigns and programs expressly designed to reduce tobacco use in this country. We view the war against tobacco as a marathon and not a sprint.

Third, we would like to set the record straight with regard to Dr. Cheryl Heaton's compensation. The foundation is a large and complex operation that requires a unique style of leadership – bold and effective leadership that Dr. Heaton has provided for nearly a decade. The Board reviews the CEO's performance annually, and those reviews have consistently been outstanding.

Your lengthy sidebar piece extensively details the circumstances surrounding a loan provided in 2002 as a Board-approved benefit to Dr. Heaton, even though it acknowledges: (1) an IRS audit reviewed the loan and found no concerns; (2) the mortgage cost the Foundation nothing since Dr. Heaton paid the same interest rate that the Foundation paid in order to obtain the funds; (3) Dr. Heaton paid off the mortgage in full five years ago; and (4) the loan was reported on the Foundation's publicly available financial statements.

Dr. Heaton's compensation was also spotlighted as being excessive. In fact, her salary is subject to annual board review and the Board obtains at least bi-annual compensation analyses by an outside firm. These analyses have consistently shown that Dr. Heaton's compensation has fallen between the 25th-75th percentile of her peers.

Fourth, the lengthy discussion of a tiny subset of sponsorships and contributions the foundation has made over the years to various organizations is extremely misleading, with prominent illustrations referencing the Washington National Opera and the New York Botanical Garden. The Foundation has made more than \$165 million in grants to outside organizations. Barely a fraction of one percent of these grants has gone to arts or cultural organizations -- but these contributions have been deliberate and strategic. For years, the tobacco industry has been a prominent patron of the arts. When we have sponsored such events, it has been to specifically counter-market industry-related messages.

In addition, the article seeks to tar the Foundation with innuendo regarding other grants, for example, highlighting contributions of \$150,000 to Northrop Grumman. Northrop Grumman was, in fact, the government contractor in charge of planning and executing the National Conference on Tobacco or Health (NCTOH), the preeminent conference in the country that brings together the broad spectrum of people who work in tobacco control. Those monies represent the foundation's contribution to that important conference.

Fifth, contrary to your article, our current Board chair and co-signer, Dr. Benjamin Chu, did indeed make himself available to speak with your managing editor as soon as he was made aware of the request – over a week in advance of the publishing of your series.

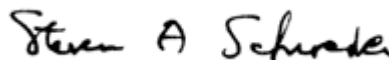
Legacy has had to make budget cuts in every one of its departments, including its advertising campaigns that include **truth**®. However, funding **truth**® and other youth prevention initiatives remain a top priority. In fact, as a percentage of our total budget, we are now spending more on youth prevention than we did in 2003. Since 2004, the foundation has also spearheaded the creation of the National Alliance for Tobacco Cessation in order to address the need for a national quit smoking resource for adults, in addition to supporting national quit smoking hotlines. Each of these efforts is directly aligned with our two-pronged mission.

Legacy – its Board and its staff – stands proudly by its financial and programmatic decisions to continue the fight against tobacco as long as is necessary. We have delivered unprecedented results against our mission and we will not apologize for implementing diverse and innovative programs that continue to save both lives and money.

Sincerely,



Benjamin K. Chu, MD, MPH, MACP
Chair, Legacy Board of Directors
President, Southern California
Region, Kaiser Foundation
Health Plan and Hospitals

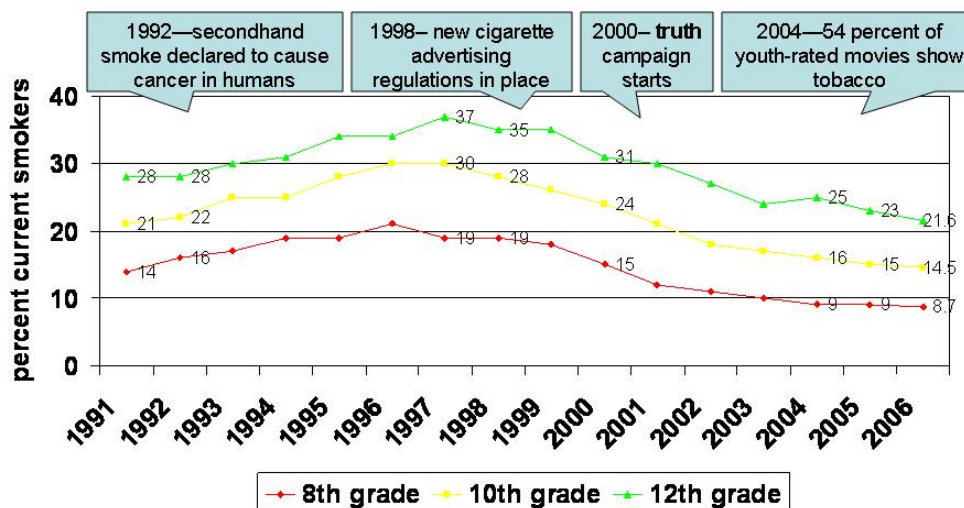


Steven A. Schroeder, MD
Former Legacy Board Chair
Distinguished Professor of Health
and Health Care, Department
of Medicine, UCSF
Director, Smoking Cessation
Leadership Center



The Honorable William H. Sorrell
Former Legacy Board Chair
Attorney General of Vermont

Youth smoking rates and key dates



Data source: *Monitoring the Future*