

AMA-ERF TOBACCO AND HEALTH RESEARCH PROGRAM

Introductory Statement

In February 1964, the AMA-ERF entered into an agreement with American Brands, Inc., Brown & Williamson, R. J. Reynolds Industries, Inc., Philip Morris, Inc., Liggett & Myers, Inc., and P. Lorillard Corporation, all engaged in the production, distribution and sale of tobacco products, to finance a project for Research on Tobacco and Health. This agreement was for a period of five years (1964-1968).

This comprehensive program of research on tobacco and health has been devoted exclusively to determining which significant human ailments may be caused or aggravated by smoking, how they may be caused, the particular element or elements in smoke that may be the causal or aggravating agents and methods for elimination of such agents. These unrestricted grants from the tobacco industry were administered by the American Medical Association Education and Research Foundation.

The AMA-ERF appointed nine distinguished research scientists to be responsible for the allocation of research grants on tobacco and health. This nine member committee was given complete control over the type of research to be funded and the grantees conducting the research.

During the term of this agreement (1964-1968), 115 research projects throughout the United States and five foreign countries were funded in the amount of \$8,244,000. In 1969, this agreement was renewed for a second five year period, 1969-1973. As of January 1972, 80 research projects were underway ranging in cost from \$9,000 to \$313,000. Completion date for these projects range between one and five years.

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AMA-ERF Financial Statement Re
Tobacco and Health Research Program

Industry Contributions:

1964-1968	\$ 10,000,000
1969-1971	\$ 5,000,000
1972	None Received

	<u>Funds on Hand</u>	<u>Open Commitments</u>	<u>Uncommitted Balance</u>
<u>Balances - January 1, 1971</u>	\$ 4,265,906	\$ 2,686,118	\$ 1,579,788
Contributions Received	2,117,000		2,117,000
Investment Earnings	263,787		2,637,787
Funds Committeed		1,438,073	(1,438,073)
Refunds Received on Completed Grants	65,945		65,945
Disbursement of Committee Funds	(1,663,201)	(1,663,201)	
<u>Balances - December 31, 1971</u>	<u>\$ 5,049,437</u>	<u>\$ 2,460,990</u>	<u>\$ 2,588,447</u>

1972 Grant Allocation Reserves \$ 2,588,447

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Options to be Considered

The current agreement between the AMA-ERF and the tobacco industry expires December 31, 1973. The following options are presented for consideration relative to continuation, phasing-out or termination of the agreement:

Option 1

The AMA-ERF research program on Tobacco and Health be phased out during 1972 by accepting no new grant applications or the financing of any new research projects. All research projects now being conducted be permitted to continue to their termination dates (1975).

Since, according to the agreement, no monies remaining in the AMA-ERF Tobacco and Health Research Fund may be returned to the donors and without the consent of the donors must be expended as specified on research in the field of tobacco and health, we respectfully request that the AMA-ERF be authorized to use the remaining funds (\$2,588,447) in financing its program for disadvantaged medical student interest free guarantee loan program. This program is titled "Medical Student Opportunity Loan Guarantee Plan" and is explained in the attached folder.

Option 2

That the present five year agreement be continued until its termination date, December 31, 1973, with no additional contributions forthcoming from the industry for 1972 and 1973. That \$1,500,000 of the December 31, 1971 uncommitted funds (\$2,588,447) be allocated to grantees during 1972 and no new grant applications be accepted in 1973. All projects funded during 1972 and before would continue until completion.

Since, according to the agreement, no monies remaining in the AMA-ERF Tobacco and Health Research Fund may be returned to the donors and

without the consent of the donors must be expended as specified on research in the field of tobacco and health, we respectfully request that the AMA-ERF be authorized to use the remaining funds (approximately \$1,000,000) in financing one of the following existing AMA-ERF projects:

- (a) The disadvantaged, deserving, needy medical student interest free guarantee loan program. This program is titled "Medical Student Opportunity Loan Guarantee Plan" and is explained in the attached folder.
- (b) The Medical Education Loan Guarantee Program explained in the attached folder.
- (c) Medical scholarships to outstanding students given in the name of the industry.

Our preference would be the Medical Student Opportunity Loan Guarantee Program.

Option 3

That the present five year agreement be continued until its termination date, December 31, 1973, with industry contributing \$1,500,000 in 1972 and 1973. That industry specify that each year \$1,000,000 of this contribution be devoted to research on tobacco and health and the remaining \$500,000 be earmarked for the Medical Student Opportunity Loan Guarantee Plan.

Option 4

The program continues until December 31, 1973 with each of the participating companies (5) contributing their 1972 and 1973 pledged amounts. Since these contributions are made in December, this would provide \$1,500,000 in 1972 and \$1,500,000 in 1973. The uncommitted funds as of

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December 31, 1971, are adequate to cover grants made in 1972. The contributions made in December 1972 would be allocated to grantees during 1973 and similarly the 1973 contributions in 1974. While some grants are for one to five years, it is possible that the program could continue under the present agreement until 1979, although no new grants would be made after 1974. Should this option be selected, it is recommended that public announcement of the termination be made in January 1974.

Option 5

That the present agreement be renewed December 1973 for another five years with an annual industry contribution of \$1,500,000.

Should Option 5 be selected, we recommend that the AMA-ERF be authorized to immediately transfer the yearly investment income from the Tobacco and Health Fund to the AMA-ERF Medical Student Opportunity Loan Guarantee Plan until the agreement is terminated in 1978. Consideration of this transfer of income investment dollars to the "Medical Student Opportunity Loan Guarantee Plan" could also be applied to Option 4.

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