



November 14, 2005

John D. Muller, Esq.
General Counsel
PayPal, Inc.
2211 N. First St.
San Jose, CA 95131

Re: Agreement with State Attorneys General and BATFE on Internet Tobacco Product Sales

Dear Mr. Muller,

I am writing on behalf of the Campaign for Tobacco-Free Kids, an independent nonprofit dedicated to preventing and reducing tobacco-use and the many harms and costs it causes. We were greatly encouraged to hear about your company's commitment, along with the major credit card companies, to work with the state attorneys general and the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives to take effective new steps to terminate the credit card rights of the many Internet vendors of tobacco products that fail to comply with federal or state laws. We have also been encouraged to see that this agreement has already begun making it much more difficult for illegal Internet vendors to continue their normal operations.

Purchases of tobacco products from illegally operating Internet and mail-order vendors are causing hundreds of millions, if not billions, of dollars of government tax evasion losses. The low cost of tax-free tobacco products illegally sold over the Internet or through mail-order sales is also sustaining and promoting higher smoking rates and higher associated harms and costs. At the same time, the vast majority of Internet and other mail-order vendors fail to take even the most simple steps to prevent against illegal cigarette and other tobacco product sales to kids, thereby helping to addict a new generation of chronic users who will suffer from tobacco-caused illness, disability, and death.

Because of the hundreds of Internet and mail-order vendors in the United States and overseas that are already selling tobacco products to U.S. consumers -- and the ease with which new Internet sellers can appear and consumers can switch from one seller to another -- addressing this problem effectively is extremely difficult. Put simply, there is no quick way to prevent and reduce illegal Internet and mail-order sales without businesses, such as yours, refusing to provide essential services to these illegal Internet vendors.

By moving quickly to cut off the credit card and PayPal rights of those Internet and mail-order tobacco product vendors that the state attorneys general or BATFE identify as violating state or federal law, and diligently taking other steps to ensure that no Internet or mail-order vendors use your company's products to facilitate illegal tobacco product sales, your company will help to make it much more difficult, if not impossible, for these illegal operators to stay in business.

If there is anything we might do to help with this important effort, please let us know. We would, for example, welcome the opportunity to post on our website any links or information you might want to provide about your company's efforts to stop Internet-based tax evasion and sales to kids to help ensure that the public health community, the media, and others know about all of your company's good work.

Sincerely,

A handwritten signature in black ink that reads "Matthew S. Myers". The signature is written in a cursive, flowing style.

Matthew Myers
President