

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

AMERICAN BRANDS INC /DE/

CIK: **789073** | IRS No.: **133295276** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1993 Commission file number 1-9076

AMERICAN BRANDS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

13-3295276

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1700 East Putnam Avenue, Old Greenwich, Connecticut 06870-0811

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 698-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$3.125 per share	New York Stock Exchange, Inc.
\$2.67 Convertible Preferred Stock, without par value	New York Stock Exchange, Inc.
9 1/8% Debentures Due 2016	New York Stock Exchange, Inc.
9% Notes Due 1999	New York Stock Exchange, Inc.
8 5/8% Debentures Due 2021	New York Stock Exchange, Inc.
8 1/2% Notes Due 2003	New York Stock Exchange, Inc.
7 7/8% Debentures Due 2023	New York Stock Exchange, Inc.
7 1/2% Notes Due 1999	New York Stock Exchange, Inc.
5 1/4% Notes Due 1995	New York Stock Exchange, Inc.
Preferred Share Purchase Rights	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes(X) No()

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of Registrant's voting stock held by non-affiliates of Registrant, at February 4, 1994, was \$6,918,007,068. The number of shares outstanding of Registrant's Common Stock, par value \$3.125 per share, at March 4, 1994, was 201,811,463.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Certain information contained in the Annual Report to Stockholders of Registrant for the fiscal year ended December 31, 1993 is incorporated by reference into Part I, Part II and Part IV hereof.
- (2) Certain information contained in the Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on May 3, 1994 is incorporated by reference into Part III hereof.

PART I

Item 1. Business.

(a) General development of business.

Registrant is a holding company with subsidiaries engaged in various businesses. A subsidiary, Gallaher Limited ("Gallaher"), and certain of its subsidiaries are engaged in the manufacture and sale of cigarettes, cigars and smoking tobaccos principally in the United Kingdom, and another subsidiary, The American Tobacco Company ("ATCO"), is engaged in the manufacture and sale of cigarettes principally in the United States and, through a subsidiary, the production of cigarette-tipping and other printed packaging materials. Subsidiaries of Registrant are also engaged in the distilled spirits business, the life insurance business, and the manufacture and sale of various types of hardware and home improvement products, office products, supplies and accessories, golf products, and rubber products and, principally in the United Kingdom, the businesses of optical goods and services, retail distribution and houseware products.

Registrant was incorporated under the laws of Delaware in 1985 and until 1986 conducted no business. Prior to 1986, the businesses of Registrant's subsidiaries were conducted by American Brands, Inc., a New Jersey corporation organized in 1904 ("American New Jersey"), and its subsidiaries. American New Jersey was merged into The American Tobacco Company on December 31, 1985, and the shares of the principal first-tier subsidiaries formerly held by American New Jersey were transferred to Registrant. In addition, Registrant assumed all liabilities and

obligations in respect of the public debt securities of American New Jersey outstanding immediately prior to the merger. Unless the context otherwise indicates, references herein to American Brands, Inc. and to Registrant for all periods prior to January 1, 1986 are to American New Jersey.

As a holding company, Registrant is a legal entity separate and distinct from its subsidiaries. Accordingly, the right of Registrant, and thus the right of Registrant's creditors (including holders of its debt securities and other obligations) and stockholders, to participate in any distribution of the assets or earnings of any subsidiary is subject to the claims of creditors of the subsidiary, except to the extent that claims of Registrant itself as a creditor of such subsidiary may be recognized, in which event Registrant's claims may in certain circumstances be subordinate to certain claims of others. In addition, as a holding company, a principal source of Registrant's unconsolidated revenues and funds is dividends and other payments from its subsidiaries. Registrant's principal subsidiaries currently are not limited by long-term debt or other agreements in their abilities to pay cash dividends or to make other distributions with respect to their capital stock or other payments to Registrant, although Registrant's subsidiaries engaged in the life insurance business are generally subject to state insurance law restrictions upon amounts that can be transferred to Registrant in the form of dividends, loans or advances without approval of the relevant state insurance authorities. These restrictions have not had and are not expected to have a material effect on the ability of Registrant to meet its cash obligations.

In recent years Registrant has been engaged in a program seeking to enhance the operations of its subsidiaries in certain core businesses and the development of other core businesses as well as certain specialty businesses. Pursuant to such program Registrant has since 1986 made major acquisitions in the distilled spirits business, the office products business and the hardware and home improvement products business, which acquisitions were financed at least in part by debt or debt securities convertible into Common Stock. On June 30, 1993, ATCO acquired from B.A.T Industries, PLC the Benson and Hedges cigarette trademark in Europe in exchange for the assignment of its Lucky Strike and Pall Mall overseas cigarette trademarks, and \$107.2 million in cash, including expenses, and contingent future payments based on volumes. See "Narrative description of business - Tobacco Products, The American Tobacco Company." During the fourth quarter of 1993, The Whyte & Mackay Group PLC ("Whyte & Mackay"), a subsidiary of the Registrant's Gallaher Limited subsidiary, completed its acquisition of Invergordon Distillers Group PLC ("Invergordon") by purchasing the remaining 58.7% of the outstanding shares of Invergordon for a cost, including fees and expenses, of \$343.6 million. See "Narrative description of business - Distilled Spirits." In addition, Registrant has been making dispositions of businesses considered to be nonstrategic to its long-term operations. In connection therewith, major dispositions by Registrant since 1986 have included its food, security, personal care

products and pumps and valves operations and certain operations in the life insurance and international tobacco businesses.

Registrant continues to pursue this strategy and in furtherance thereof explores other possible acquisitions in fields related to its core businesses and possibly other fields and dispositions of any businesses that may be considered nonstrategic to its long-term operations. Although no assurance can be given as to whether or when any such acquisitions or dispositions will be consummated, if agreement with respect to any acquisitions were to be reached, Registrant might finance such acquisitions by issuance of additional debt or equity securities. The additional debt from these or any other acquisitions, if consummated, would increase Registrant's debt-to-equity ratio and such debt or equity securities might, at least in the near term, have a dilutive effect on earnings per share. Registrant also continues to consider other corporate strategies intended to enhance stockholder value. It cannot be predicted whether or when any such strategies might be implemented or what the financial effect thereof might be upon Registrant's debt or equity securities.

(b) Financial information about industry segments.

See the table captioned "Information on Business Segments" and the second table in the note captioned "Information on Business Segments" in the Notes to Consolidated Financial Statements contained in the 1993 Annual Report to Stockholders of Registrant, which tables are incorporated herein by reference.

(c) Narrative description of business.

The following is a description of the business of the subsidiaries of Registrant in the industry segments of Tobacco Products, Distilled Spirits, Life Insurance, Hardware and Home Improvement Products and Office Products, as well as in other industries as discussed under "Specialty Businesses" below. For financial information about classes of similar products and services, see the table captioned "Information on Business Segments" and the second table in the note captioned "Information on Business Segments" in the Notes to Consolidated Financial Statements

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contained in the 1993 Annual Report to Stockholders of Registrant, which tables are incorporated herein by reference.

Tobacco Products

Gallaher Limited

Gallaher is engaged primarily in the manufacture and sale of tobacco products in the United Kingdom and elsewhere, principally in the European Community. Its sales of tobacco products are the largest in the

United Kingdom. For 1993, Gallaher held approximately 41.7% of the cigarette market in the United Kingdom, compared with approximately 41.5% and 43.5% for 1992 and 1991, respectively. Total unit sales of cigarettes to retail outlets and wholesalers in that country by foreign and domestic manufacturers increased by 1.9% in 1993, and decreased 6.7% and 3% in 1992 and 1991, respectively. Gallaher's total unit sales to retail outlets and wholesalers increased by 2.3% in 1993, and decreased in 1992 and 1991 by 10.9% and 6.3%, respectively. The unit sales increases in 1993 resulted primarily from heavy retailer and wholesaler purchasing prior to the United Kingdom budget announced in November 1993. It is estimated that the underlying consumer demand declined in the area of 5.5% in 1993 and it is likely that unit sales will decline in 1994. In 1993, filter cigarettes continued to represent over 98% of total unit sales of cigarettes in the United Kingdom for Gallaher and for the industry.

Gallaher's principal cigarette brands in the United Kingdom are Benson and Hedges Special Filter, Silk Cut, Berkeley Superkings and Kensitas. To respond to growing consumer preference for lower priced cigarettes, Gallaher introduced Benson and Hedges Superkings and Benson and Hedges Superkings Lights into the mid-price sector in early 1993. These new brands, together with Berkeley Superkings Menthol, resulted in Gallaher's share of that sector increasing from 32.6% in 1992 to 37.4% in 1993. Rights to some of these brands in various other countries are claimed by others. Gallaher also markets other tobacco products, among which are Hamlet cigars, Condor and Benson and Hedges Mellow Virginia smoking tobaccos and Old Holborn roll-your-own cigarette tobacco. Sales are made to retail outlets and wholesalers.

Following the exchange of trademarks in Europe between ATCO and B.A.T Industries, PLC on June 30, 1993, Gallaher entered into an exclusive trademark license agreement with ATCO, pursuant to which Gallaher manufactures and sells Benson and Hedges products in tax-paid markets in Europe and pays a royalty to ATCO based on volume.

Gallaher's principal competitors in the United Kingdom are Imperial Tobacco, Rothmans, Philip Morris and imported brands. Gallaher competes on the basis of the quality of its products and price and its responsiveness to consumer preferences.

Gallaher buys its leaf tobacco from foreign sources, including the United States. Large inventories of leaf tobacco are maintained by Gallaher. Sufficient inventories of finished product are maintained by Gallaher to respond promptly to orders.

for many years. Notwithstanding this situation, there has been no consequential damage to Gallaher's manufacturing facilities there.

The United Kingdom Finance Act, 1992 provided for an increase in the excise duties on tobacco products with the result that the price of a typical pack of cigarettes increased by 13 pence. The United Kingdom Finance Act, 1993 provided for an increase in the excise duties on tobacco products with the result that the price of a typical pack of cigarettes increased by 10 pence. The United Kingdom budget introduced on November 30, 1993 provided for an increase in the excise duties on tobacco products with the result that the price of a typical pack of cigarettes increased by 11 pence. It is believed that the continuing impact of price increases, principally due to substantial excise tax increases in 1992 and 1993, combined with the prolonged recession, have led to an overall reduction in annual industry volumes, declines in consumer demand, greater price competition and increased trading down by consumers to lower priced brands. The effect of any further excise duty increases cannot be determined, but such increases and any new duties or taxes, if enacted, will likely add to the overall industry declines and the shift to lower priced brands.

An agreement took effect in September 1991 between representatives of the United Kingdom tobacco industry and the United Kingdom Health Ministers with respect to tobacco products and their packaging and advertising. Among other things, the agreement provides for limitations on expenditures for cigarette brand poster advertisements and for a reduction in the number of external cigarette advertising signs at retail premises. Specified warning statements are required to be printed on cigarette packages and to appear in advertisements. Negotiations are taking place on a new agreement, which would place further restrictions on advertising. It is not possible to predict when any such agreement would take effect. Regulations promulgated in the United Kingdom in July 1991 to implement a Council Directive of the European Community require, effective January 1, 1992, that all tobacco product packaging bear the warning statement "Tobacco Seriously Damages Health" and that cigarette packaging bear additional warning statements and carry an indication of tar and nicotine yield. In addition, the Independent Television Commission Code of Advertising Standards and Practice of December 1990, implementing a Council Directive of the European Community, prohibits, effective October 1991, the advertising of all tobacco products on television in the United Kingdom. Television and radio advertising of cigarettes has been prohibited in the United Kingdom for many years. Also, a Council Directive of the European Community has been proposed by the Commission of the European Community to provide for a total ban on tobacco advertising and sponsorship throughout the European Community and to restrict the use of tobacco brand names on non-tobacco products. In February 1992 the European Parliament, an advisory body, approved such a total ban. Any such Council Directive, even though approved by the European Parliament and the Commission, must be adopted by the Council of Ministers of the member states of the Community by a qualified majority of the member states prior to becoming effective and may be adopted so as to be binding or non-binding on individual member states.

A Council Directive of the European Community adopted in May 1990 required that the tar yield of cigarettes marketed in the European Community should not be greater than 15 milligrams per cigarette after

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December 31, 1992, and 12 milligrams per cigarette after December 31, 1997. None of Gallaher's cigarette brands have had a tar yield in excess of 15 milligrams per cigarette since December 31, 1992.

The Treaty of Rome has as an objective the removal of certain restrictions on trading among the member states of the European Community, and since January 1, 1993 trading barriers within the Community have been eliminated in accordance with the Single European Act. Actions taken by the Community effective January 1, 1993 in connection with the implementation of the Single European Act include an increase in the allowance of cigarettes for personal consumption that may be purchased duty-paid in one member state and carried to another without payment of additional duty. The removal of customs border posts was also scheduled to occur effective January 1, 1993 but implementation has not been uniform because of concerns raised by at least one member state. It is possible that the Treaty of Rome, including implementation of the Single European Act and other actions taken by the Community, will result in increased competition in the market for tobacco products in the United Kingdom and in other member states and cause a shift in sales of tobacco products brands from certain member states, such as the United Kingdom, to other member states in which prices of those brands are lower.

On July 18, 1989 the Council of Ministers enacted a non-binding Council Resolution, as part of its on-going "Europe Against Cancer" program, inviting member states to introduce legislation that would ban smoking in most public places. In addition, various member states have adopted legislation or non-binding guidelines that address smoking in public places.

It is not possible to state whether additional legislation, directives, regulations or action will be enacted, promulgated or taken in or by the United Kingdom or the European Community or the nature of any such legislation, directives, regulations or action, nor is it possible to predict the effect any such legislation, directives, regulations or action may have on the industry generally or on Gallaher.

Gallaher's subsidiary, Gallaher (Dublin) Limited, manufactures tobacco products in the Republic of Ireland.

See Item 3, "Legal Proceedings".

For a description of the business of other subsidiaries of Gallaher, see "Distilled Spirits" and "Specialty Businesses - Optical goods

The American Tobacco Company

ATCO is engaged in the manufacture and sale of filter and nonfilter cigarettes, principally in the United States. ATCO sells its cigarettes primarily to distributors, chain stores and other large retail outlets. In 1993, unit sales of cigarettes in the United States accounted for approximately 94.6% of ATCO's total unit sales. ATCO's domestic unit sales of cigarettes increased slightly in 1991 and decreased 4.3% and 9.1% in 1992 and 1993, respectively. Total unit sales of cigarettes for the domestic industry declined in 1991, 1992 and 1993 approximately 2.4%, 0.4% and 9%, respectively. However, it is estimated that the underlying decline

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in consumer demand in 1993 was in the range of 3% to 4%. ATCO's share of the cigarette market in the United States increased to approximately 7.03% in 1991 and decreased to approximately 6.76% and 6.75% in 1992 and 1993, respectively. Unit sales of ATCO's more profitable premium brands were down 20.9%, particularly nonfilter and charcoal filter brands which continued to decline far in excess of the overall industry decline in recent years. Unit sales of filter cigarettes (other than charcoal filter) in 1993 are estimated to have been approximately 96% of total unit sales for the domestic industry, compared to 74.9% of ATCO's total domestic unit sales. ATCO's unit sales of nonfilter cigarettes decreased from 23.4% of its total domestic unit sales of cigarettes for 1992 to 19.2% for 1993. ATCO's unit sales of charcoal filter cigarettes decreased from 7.0% of its total domestic unit sales for 1992 to 5.9% for 1993. The industry's less profitable price-value category, comprising discount and deep discount brands, grew from 30% to 37% as price increases over the years, including excise taxes, have resulted in trading down by consumers, particularly to deep discount brands. Unit sales of ATCO's price-value brands increased 5.3% as the introduction of deep discount brands more than offset declines in discount brands. Price-value brands accounted for 52% of ATCO's U.S. unit sales in 1993, compared to 45% in 1992. The intense price and promotional competition in the domestic tobacco industry continues. In April 1993, the industry promotionally reduced the prices of many leading brands. In August 1993, ATCO's principal competitors decreased list prices of their premium and discount brands and increased list prices of their deep discount brands. ATCO announced similar decreases in list prices of its premium and discount brands, but did not significantly change the list prices of its deep discount brands. In November 1993, ATCO and its competition raised prices of certain brands, but the amount of these increases was far less than the amount of the August decreases. Conditions in the U.S. tobacco market remain unsettled. ATCO products are also sold overseas, principally in Japan and other Asian countries, with expansion into the Middle East, Poland, Korea and the C.I.S.

Registrant believes that ATCO is the fifth largest manufacturer

of cigarettes in the United States. ATCO's principal competitors in the United States are Philip Morris, R.J. Reynolds, Brown & Williamson, Lorillard and Liggett. ATCO competes on the basis of the quality and price of its products and its responsiveness to consumer preferences.

The principal brands produced by ATCO are Lucky Strike, Pall Mall, Tareyton, Carlton, American, Montclair, Misty, Riviera, Private Stock, Prime and Summit. Although ATCO has exclusive ownership in the United States of its brands mentioned above, the ownership of most of its principal brands in various foreign countries is claimed by others.

On June 30, 1993, ATCO acquired from B.A.T Industries, PLC the Benson and Hedges cigarette trademark in Europe in exchange for the assignment of its Lucky Strike and Pall Mall overseas cigarette trademarks, and \$107.2 million in cash, including expenses, and contingent future payments based on volumes. ATCO recognized a pretax gain of \$25.5 million as a result of the assignment of the Lucky Strike and Pall Mall trademarks. Certain of the contingent payments are guaranteed and, accordingly, their present value is included in the initial \$183 million of intangibles that have been recorded. Any payments in excess of the guarantees will also be amortized over periods not to exceed 40 years. In a related event, on June 30, 1993 ATCO entered into a trademark license agreement with Gallaher.

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Pursuant to the agreement, Gallaher has the exclusive right to manufacture and sell Benson and Hedges products in tax-paid markets in Europe and pays a royalty to ATCO based on volume.

There is a federal excise tax on cigarettes, and such tax was increased by four cents per pack effective January 1, 1991, and an additional four cents per pack effective January 1, 1993. All the states, the District of Columbia and many municipalities and counties impose additional cigarette taxes. In addition, legislation has been introduced in the United States Congress to further increase the federal excise tax and to impose other federal taxes. Proposals to increase or adopt new cigarette taxes are also pending in various state and local jurisdictions. The Clinton administration has proposed a tax increase on cigarettes to 99 cents per pack from the current level of 24 cents per pack to help pay the cost of the administration's proposed health care program. As part of an alternative proposal to the Clinton administration program, the Health Subcommittee of the House Ways and Means Committee has proposed increasing the federal tax on cigarettes by \$1.25 to \$1.49 per pack to help pay the cost of providing universal health care. The effect of any further excise tax increases cannot be determined, but such increases and any new taxes, if enacted, will likely add to the overall industry declines and the shift to lower priced brands.

Tobacco is an agricultural commodity subject to United States Government controls and price supports that can affect market prices

substantially. Legislation has been introduced in the United States Congress that would eliminate the federal price support program. The market price of flue-cured tobacco decreased from an average of \$1.75 per pound in calendar year 1992 to an average of \$1.74 per pound in calendar year 1993. Burley leaf prices increased from an average of \$1.81 per pound in calendar year 1992 to an average of \$1.85 per pound in calendar year 1993. Average market prices do not necessarily reflect ATCO's actual leaf costs since ATCO's purchases are in a wide range of quality and price categories.

ATCO buys its leaf tobacco on the domestic and international markets. Large inventories of leaf tobacco are maintained by ATCO because the production of leaf tobacco is subject to changing weather conditions and because most leaf tobacco, when purchased, requires additional aging. Sufficient inventories of finished product are maintained by ATCO to respond promptly to orders. The Omnibus Budget Reconciliation Act of 1993 (the "Reconciliation Act") as signed into law on August 10, 1993 contains provisions which penalize domestic cigarette companies that manufacture cigarettes containing less than 75% U.S. grown tobacco. The Reconciliation Act also imposes additional assessments and fees on imported tobacco which is generally less expensive. The Reconciliation Act will result in ATCO incurring greater cost for its leaf tobacco, as well as maintaining its current inventory of foreign tobacco for a longer period before it can be used in cigarette production. Based on the preliminary rules issued, the impact of this legislation may increase ATCO's 1994 manufacturing cost by an estimated \$10 million.

The Federal Cigarette Labeling and Advertising Act (the "Labeling Act") has required since 1966 that cigarettes manufactured, packaged or imported for sale or distribution in the United States include a warning statement relating to smoking and health on their packaging. ATCO and five

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other cigarette manufacturers are parties to consent orders, entered into with the Federal Trade Commission in 1972, which relate to the placement of prescribed statements in cigarette advertising. The Comprehensive Smoking Education Act (amending effective in 1985 the Labeling Act) requires that packages of cigarettes distributed in the United States and cigarette advertisements in the United States bear in quarterly rotation, in lieu of the previously required statement, the statements: "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy"; "SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health"; "SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, And Low Birth Weight"; and "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide". Statements also are required in billboard advertisements. The Labeling Act prohibits any other requirement of a statement relating to smoking and health on any cigarette packaging, advertising or promotional material. The United States Supreme Court in a

1992 decision in *Cipollone v. Liggett Group, Inc., et al.*, held that the 1965 version of the Labeling Act, which requires specified warnings on cigarette packaging, advertising and promotional materials, did not preempt lawsuits seeking money damages for personal injuries allegedly caused by cigarette smoking. The Supreme Court further held that the Public Health Cigarette Smoking Act of 1969, which, among other things, amended the preemption provision of the 1965 version of the Labeling Act effective July 1, 1969, preempts such lawsuits based on alleged failure to warn and neutralization of the federally mandated warnings to the extent that those claims rely on omissions or inclusions in cigarette advertising or promotions, but that the 1969 version of the Labeling Act does not preempt claims based on alleged breach of express warranty, or certain claims based on intentional fraud and misrepresentation or conspiracy. Legislation has been introduced in the United States Congress that if enacted would limit the effect of the preemption provisions of the Labeling Act. See Item 3, "Legal Proceedings". All radio and television advertising of cigarettes is prohibited by the Labeling Act.

Under the Comprehensive Smoking Education Act, each person who manufactures, packages or imports cigarettes is required to provide annually to the Secretary of Health and Human Services, on a confidential basis, a list of the ingredients added to tobacco in the manufacture of cigarettes. Annual reports to the United States Congress are also required from the Secretary of Health and Human Services as to current information on the health consequences of smoking and from the Federal Trade Commission on the effectiveness of cigarette labeling and current practices and methods of cigarette advertising and promotion. In connection with the reporting responsibilities of the Secretary of Health and Human Services, the Surgeon General of the United States has from time to time issued reports addressing aspects of smoking and health issues. In December 1986, the Surgeon General released a report concluding, among other things, that "involuntary smoking is a cause of disease, including lung cancer, in healthy nonsmokers." In May 1988, the Surgeon General released a report which, among other things, reviewed literature on aspects of tobacco use and concluded that cigarettes are addicting. In February 1994, the Surgeon General released a report on the prevention of tobacco use among young people which concluded, among other things, that "[c]ommunitywide efforts that include tobacco tax increases, enforcement of minors' access laws, youth-oriented mass media campaigns, and school-based tobacco use prevention programs are successful in reducing adolescent use of tobacco."

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Both the Secretary of Health and Human Services and the Federal Trade Commission also are required to make recommendations with regard to further legislation.

Legislation has been introduced in the United States Congress that if enacted would amend the Labeling Act to require that the statements that the Labeling Act requires to appear on cigarette packaging and

advertisements include the following: "SURGEON GENERAL'S WARNING: Smoking is Addictive. Once You Start You May Not Be Able To Stop"; and "SURGEON GENERAL'S WARNING: NICOTINE IN CIGARETTES IS AN ADDICTIVE DRUG".

Legislation has also been introduced in the United States Congress that if enacted would require nine rotating health warnings on cigarette packages and advertisements and would change the format of the required warnings. In addition, legislation has been introduced in the United States Congress that if enacted would make unlawful the export, by any corporation or any foreign subsidiary, from the United States or any other country any cigarettes the package of which does not contain the label statements required by the Labeling Act.

In 1992, the Alcohol, Drug Abuse and Mental Health Administration Reorganization Act was adopted. This Act requires, effective January 1, 1994, states to adopt a minimum age of 18 for the purchase of tobacco products.

Legislation has also been introduced in the United States Congress that if enacted would require the Secretary of Health and Human Services to establish a Center for Tobacco Products whose functions would include collecting information regarding, and determining whether to require disclosure of and impose restrictions on, additives contained in tobacco products, reviewing the information required to be contained in rotating warning labels and making federal grants to promote better enforcement of state laws concerning the sale of tobacco products to minors, to promote anti-smoking efforts, including the reduction of the incidence of smoking in the workplace, and to encourage public information campaigns concerning the use of tobacco products. Legislation has also been introduced in the United States Congress that if enacted would further restrict or ban advertising and restrict promotion of cigarettes and would ban the sale of cigarettes from vending machines. In addition, legislation has been introduced in the United States Congress that if enacted would disallow income tax deductions for tobacco products advertising expenses. In 1986 and 1987, there were proposals for legislation to eliminate the deductibility of federal excise taxes, including excise taxes on tobacco products, but these proposals were not enacted. There have also been proposals to bring the manufacture and sale of cigarettes under the jurisdiction of the Food and Drug Administration.

Legislation has been introduced in the United States Congress to restrict smoking to designated areas in all federal facilities as well as to prohibit smoking in such facilities. Legislation has also been introduced to prohibit smoking in most public facilities. The Department of Defense has announced a policy prohibiting smoking in all offices and any other indoor work areas. Smoking on virtually all domestic airline flights is prohibited by federal legislation. A number of states and municipalities, as well as certain federal agencies, have enacted or promulgated or are considering legislation and regulations which are

intended to discourage smoking through educational efforts or which impose various restrictions or requirements relating to smoking.

On January 7, 1993, the Environmental Protection Agency ("EPA") released in final form its "risk assessment" report on environmental tobacco smoke. The EPA's report concludes that environmental tobacco smoke is a human carcinogen which causes lung cancer in nonsmokers and that exposure to environmental tobacco smoke is causally associated with an increased incidence of respiratory effects and disorders in children. While it is not possible to predict the effects of the EPA report, it has and will likely continue to result in additional regulation of smoking in public and in workplaces as well as voluntary restrictions by private entities relating to their facilities.

In September 1991, the Occupational Safety and Health Administration ("OSHA") issued a request for information relating to indoor air quality, including environmental tobacco smoke. The stated purpose of the request is to assist OSHA in determining whether it is necessary and appropriate to pursue regulatory action. On March 25, 1994, OSHA proposed new rules regulating air quality in all indoor and enclosed work places under OSHA jurisdiction and restricting smoking to designated areas where employees are not required to enter in the performance of normal work activities.

Under the terms of the Fire Safe Cigarette Act of 1990, the Consumer Product Safety Commission ("CPSC") submitted a report to Congress on August 10, 1993 regarding the technical and commercial feasibility, economic impact and other consequences of developing cigarettes that have a minimum propensity to ignite upholstered furniture and mattresses. This report accepted many of the recommendations of a report prepared by a technical advisory group established to assist the CPSC. The accepted recommendations include a standard test method to determine cigarette ignition propensity. However, in its report, the CPSC suggested additional research prior to the adoption of a performance standard to reduce cigarette ignition propensity. On February 23, 1994, Congressman Joseph Moakley (D-Mass.) introduced legislation which would require the CPSC to set a performance standard to reduce cigarette ignition. The CPSC would be required to set such a standard within one year of enactment of the legislation, and the tobacco industry (including ATCO) would have an additional year to meet the standard for all cigarettes manufactured or sold in the United States. It is not possible to predict the impact on ATCO or the industry of the CPSC report or any resulting legislation or regulation.

It is not possible to state whether additional federal, state or local legislation, regulations or action will be enacted, promulgated or taken or the nature of any such legislation, regulations or action, nor is it possible to predict the effect any such legislation, regulations or action may have on the industry generally or on ATCO.

Golden Belt Manufacturing Company ("Golden Belt"), a subsidiary of ATCO, is primarily engaged in the production of cigarette-tipping materials and other printed packaging materials, including labels and foil laminates. Sales are made primarily in the United States through its own sales force.

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See Item 3, "Legal Proceedings".

Distilled Spirits

Jim Beam Brands Co. ("Beam") and its predecessors have been distillers of bourbon whiskey since 1795. Beam, together with its subsidiaries, currently produces, or imports, and markets a broad line of distilled spirits, including bourbon and other whiskeys, cordials, gin, vodka and rum. In December 1991, Beam acquired certain trademarks relating to seven brands (Kessler, Leroux, Calvert Extra, Calvert Gin, Lord Calvert, Wolfschmidt and Ronrico) from Joseph E. Seagram & Sons, Inc. and certain of its affiliates ("Seagram").

Beam's nine leading brand names are Jim Beam bourbon, Windsor Canadian Supreme Whisky, Lord Calvert Canadian Whisky, DeKuyper cordials, Gilbey's gin, Gilbey's vodka, Kamchatka vodka, Wolfschmidt vodka and Kessler American Blended Whiskey. Principal bourbon brand names are Jim Beam, the largest-selling bourbon whiskey in the United States and in the world, Old Grand-Dad, the largest-selling bonded bourbon in the United States and in the world, Booker's, a super-premium bourbon whiskey, Old Taylor and Old Crow. Beam also produces Jim Beam Bourbon Whiskey and Cola, which combines bourbon with a cola soft drink. DeKuyper Peachtree Schnapps is the top-selling domestically-produced cordial brand in the United States. Beam also produces Chateaux and Leroux cordials, Beam's 8-Star Blend and Calvert Extra blended whiskeys, Dark Eyes vodka and Calvert Gin, and imports, in bottle or in bulk, Canada House Canadian whisky, The Dalmore and The Claymore scotch whiskies, Kamora coffee liqueur, Ronrico, Pusser's and San Tropicque rums, Molinari Sambuca and Aalborg Akvavit.

Beam's products are bottled in the United States and are sold through various distributors and, in the 18 "control" states (and one county) which have established government control of the purchase and distribution of alcoholic beverages, through state (or county, as the case may be) liquor authorities. Beam products are also bottled in eleven foreign countries. Beam's international volume, which accounted for approximately 20% and 18% of its total unit sales in 1993 and 1992, respectively, is exported to over 80 foreign markets for sale through distributors and brokers.

The distilled spirits business is highly competitive, with many brands sold in the consumer market. Registrant believes there are

approximately ten major competitors worldwide and many smaller distillers and bottlers. Registrant also believes that, based on unit sales, Beam is the second largest producer and marketer of distilled spirits in the United States and among the ten major competitors worldwide and has six million-case-selling brands in the United States. Beam competes on the basis of the quality and price of its products and its responsiveness to consumer preferences.

The United States market for beverage alcohol has in recent years demanded an increasingly broad variety of products. Demand for distilled spirits generally, as well as for bourbon and other whiskeys, has declined resulting in increased price competition as competitors vie for market share. It is estimated that unit sales of distilled spirits (which do not include bulk sales) in the United States declined by approximately 6.7% in 1991, 3% in 1992 and 2.2% in 1993. Total unit sales of Beam's brands in

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the United States decreased by approximately 4.9% in 1991, increased 35% in 1992, primarily due to the acquisition of the trademarks for seven brands from Seagram, and decreased 4.6% in 1993. Total unit sales of Beam's brands, including export sales, decreased by 3% in 1991, increased 29% in 1992, primarily due to the acquisition from Seagram, and decreased 1.7% in 1993. In both 1993 and 1992, bourbon accounted for approximately 25% and other whiskeys for approximately 28% of Beam's total unit sales in the United States, respectively.

Beam's leading brands are owned by Beam and its subsidiaries, except that DeKuyper cordials are produced and sold under a perpetual license and Gilbey's gin and Gilbey's vodka are produced and sold under a long-term license and the Kamchatka brand is claimed by another entity in California.

Raw materials for the production, storage and aging of Beam's products are principally corn, rye, barley malt and white oak barrels and are readily available from a number of sources, except that white oak barrels are available from only two major sources, one of which is owned by a competitor of Beam. Because whiskeys are aged for various periods, generally from four to eight years, Beam maintains, in accordance with industry practice, substantial inventories of bulk whiskey in warehouse facilities. In addition, whiskey production is generally scheduled to meet demand for four to eight years in the future, and production schedules are adjusted from time to time to bring inventories into balance with estimated future demand.

In Canada, a line of distilled spirits, including Windsor Canadian Supreme Whisky, is produced by a subsidiary, Alberta Distillers Limited. In Australia, a subsidiary, Fortune Brands Pty. Ltd., markets and distributes Beam's products as well as several brands under agency agreements.

The production, storage, transportation, distribution and sale of Beam's products are subject to regulation by federal, state and local authorities. Various local jurisdictions prohibit or restrict the sale of distilled spirits in whole or in part.

In the United States, Canada and many other countries, distilled spirits are subject to excise taxes and/or custom duties. State, local and other governmental authorities in such countries also impose taxes on distilled spirits. On January 1, 1991, the United States federal excise tax was increased by one dollar per proof gallon of distilled spirits. In addition, there are proposals pending to increase or impose new distilled spirits taxes in various jurisdictions. It is believed that the federal excise tax increase contributed to the increased decline in distilled spirits unit sales for Beam and the industry in 1991 and in 1992 for the industry. Increasing the federal excise tax on distilled spirits has been considered from time to time as a possible means to help pay for the cost of the national health-care program, but is not included in the Clinton administration's current proposal. The effect of any future excise tax increases cannot be determined, but it is possible that any future tax increases would have an adverse effect on unit sales and add to continuing industry declines.

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The Alcoholic Beverage Labeling Act of 1988 and regulations promulgated thereunder by the Bureau of Alcohol, Tobacco and Firearms of the Department of the Treasury (the "Bureau") require that containers of alcoholic beverages bottled on or after November 18, 1989 for sale or distribution in the United States or for sale, distribution or shipment to members of the United States Armed Forces abroad bear the statement: "GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems." The Alcoholic Beverage Labeling Act of 1988 and the regulations prohibit any other requirement of a statement relating to alcoholic beverages and health on any beverage alcohol container or package containing such a container. If the Secretary of the Treasury, after appropriate investigation and consultation with the Surgeon General, finds available scientific information justifying a change in, addition to or deletion of all or part of the required statement, he is required to report such information to the United States Congress together with specific recommendations with respect thereto. On March 8, 1991, the Bureau issued a request for information to "enable the agency to determine whether the wording . . . should be amended." Registrant understands that the Bureau has recommended that the current warning statements are sufficient and has reported its findings to the United States Congress. In addition, legislation has been introduced

in the United States Congress that would require seven rotating warning statements in all beverage alcohol advertising and promotional materials. It is not possible to state whether any legislation or additional regulations or action imposing additional labeling or other warning statement requirements will be enacted, promulgated or taken in the U.S. or export markets served by Beam, nor is it possible to predict the effect, if any, that the existing labeling requirement or any additional labeling or other warning statement requirements may have on the industry generally or on Beam.

See Item 3, "Legal Proceedings".

Whyte & Mackay has been a distiller of scotch whisky since 1844. Whyte & Mackay and its subsidiaries produce, bottle, market and sell blended and single malt scotch whiskies, market and sell vodka and sell scotch whisky in bulk. The principal brand names are Whyte & Mackay Special Reserve, The Claymore and The Dalmore scotch whiskies and Vladivar vodka. Whyte & Mackay believes that in both 1993 and 1992, its shares of the United Kingdom scotch whisky and vodka markets were approximately 14% and 11%, respectively. Whyte & Mackay's products are sold in the United Kingdom through its own sales force and outside the United Kingdom, principally in Japan and France, through independent distributors.

It is estimated that total case sales of scotch whisky in the United Kingdom decreased by approximately 3% and 6% in 1991 and 1992, respectively, but increased by 3% in 1993, and worldwide decreased by approximately 6% in 1991, but increased by approximately 3% and 4% in 1992 and 1993, respectively. Whyte & Mackay's total case sales of scotch whisky in the United Kingdom declined by approximately 9% in 1991 and 3% in 1992, but increased by approximately 4% in 1993. Whyte & Mackay's total case sales of scotch whisky worldwide decreased by approximately 8% in 1991 but increased by approximately 1% and 10% in 1992 and 1993, respectively. During 1993, 81% of Whyte & Mackay's total case sales were derived from

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scotch whisky. In addition, 59% of Whyte & Mackay's total scotch whisky case sales were made in the United Kingdom in 1993.

Blended scotch whiskies comprise a variety of grain and malt whiskies blended to provide a consistent product. The industry is therefore dependent on a high level of trading of whiskies between whisky companies. Whyte & Mackay owns and operates three malt whisky distilleries in the Highland region of Scotland whose product is used in the production of Whyte & Mackay's blended whiskies and for trading purposes. Production is also bottled as malt whiskies from the individual distilleries. Such distilleries are located at Dalmore, Tomintoul and Fettercairn and produce The Dalmore, Tomintoul-Glenlivet and Old Fettercairn single malt scotch whiskies respectively.

Whyte & Mackay imports and markets in the United Kingdom a number of brands, including Jim Beam bourbon, under agency arrangements. In the United States, Beam is an importer and distributor of Whyte & Mackay's brands.

During 1991, Whyte & Mackay purchased 41.3% of the outstanding ordinary shares of Invergordon, a distiller, blender and marketer of scotch whisky for a cost, including fees and expenses, of \$255.5 million. During the fourth quarter of 1993, Whyte & Mackay completed its acquisition of Invergordon by purchasing the remaining 58.7% of the outstanding shares of Invergordon for a cost, including fees and expenses, of \$343.6 million.

The principal brand names of Invergordon are Mackinlay, Cluny, Glayva, Isle of Jura and Bruichladdich. Invergordon owns and operates four malt distilleries and one grain distillery in the Highland region of Scotland and the Islands of Scotland whose product is used in the production of Invergordon's blended whiskies and for trading purposes. Production is also bottled as malt whiskies and as a single grain whisky from the individual distilleries. In addition, Invergordon has a 50% interest in Greenwich Distillers Limited, a distiller of neutral spirit for the distilled spirits industry.

The United Kingdom Finance Act, 1992 provided for an increase in the excise duties on distilled spirits with the result that the price of a typical bottle of scotch whisky (which during 1991 decreased in size from 75 to 70 centilitres to comply with European Community standards) increased by 31 pence. The price increase which resulted from this increase in taxes on distilled spirits includes an associated increase customarily implemented in conjunction with increases in United Kingdom distilled spirits taxes to preserve wholesalers' and retailers' percentage gross margins. It is believed that the 1992 increase was a major contributor to reductions of volume sales for Whyte & Mackay and the industry in the United Kingdom in that year. The United Kingdom Finance Act, 1993 did not provide for any increase in the excise duties on distilled spirits. The United Kingdom budget introduced on November 30, 1993 also did not provide for any increase in the excise duties on distilled spirits. This second budget in 1993 reflected the change in timing of United Kingdom budget announcements from March to November. The effect of any future excise duty increases cannot be determined, but it is possible that any future tax increases would have an adverse effect on unit sales, add to the continuing industry declines and lead to an increase in already competitive pricing pressures.

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Life Insurance

The Franklin Life Insurance Company ("Franklin") issues individual life insurance, annuity and accident and health insurance

policies, group annuities and group life insurance, group credit life insurance and group credit accident and health insurance, participates in the U.S. Government's Servicemen's Group Life Insurance program and offers a variety of whole life, universal life, retirement income and level and decreasing term insurance plans. Emphasis is placed on the sale of individual insurance programs that comply with the definition of life insurance as provided in the Deficit Reduction Act of 1984. Franklin writes insurance in all states of the United States (except that only reinsurance is written in New York), the District of Columbia, Puerto Rico and the U.S. Virgin Islands. A wholly-owned subsidiary of Franklin, The Franklin United Life Insurance Company, is engaged in the writing of individual life insurance, annuity and accident and health insurance policies, group credit life and group credit accident and health insurance in New York. Another subsidiary, The American Franklin Life Insurance Company, is engaged in the writing of reinsurance, term, universal and variable universal life insurance and single premium whole life insurance and the sale of disability insurance and individual health insurance and is licensed in 46 states and the District of Columbia. Through another subsidiary, Franklin Financial Services Corporation, a registered broker-dealer, Franklin also engages in the distribution of variable annuities and mutual fund investments.

Franklin and its life insurance subsidiaries are legal reserve stock life insurance companies and operate in an industry which is highly competitive. There are about 2,000 legal reserve stock life insurance companies in the United States. Competition comes from both stock and mutual companies and is based upon price, product design and services rendered to policyholders.

As of December 31, 1992, according to A. M. Best Company, Inc., a statistical reporter upon financial position, history and operating results of life insurance companies, among all life insurance companies doing business in the United States and Canada, (i) Franklin had approximately 3/10 of 1% of the admitted assets of all such companies and ranked sixty-first; (ii) Franklin had approximately 2/10 of 1% of the life insurance in force in the United States and Canada and ranked eighty-fourth; and (iii) Franklin wrote approximately 3/10 of 1% of the total new insurance written in 1992 by such companies and ranked seventy-third. As of December 31, 1992, Franklin ranked thirty-sixth among United States stock life insurance companies when measured by admitted assets and fifty-sixth among such companies when measured by insurance in force.

Franklin operates on the general agency plan in which insurance is sold by independent agents who are not employees of the company.

Certain highly publicized claims have been brought against other companies in the industry alleging that some advertising and sales practices are in violation of state insurance laws. It is possible that this could lead to further regulation of the industry and restrictions on advertising and sales practices relating to sales of insurance products.

Hardware and Home Improvement Products

MasterBrand Industries, Inc. ("MasterBrand") is a holding company for subsidiaries in the Hardware and Home Improvement Products business. Subsidiaries include Moen Incorporated ("Moen"), Master Lock Company ("Master Lock"), Aristokraft, Inc. ("Aristokraft") and Waterloo Industries, Inc. ("Waterloo").

Moen manufactures single- and two-handle faucets, sinks and plumbing accessories and parts in the United States and East Asia and also manufactures and packages a wide variety of plumbing supply and repair products in the United States. Faucets are sold under a variety of tradenames, including Moen, Moentrol, Touch Control, One-Touch, Riser, Monticello, Concentrix, Chateau, Legend, Pulsation, Fountain-Flo and Sani-Stream, and other products are sold under the Moen, Chicago Specialty, Dearborn Brass, Wrightway, Anchor Brass, Shower After Shower and Hoov-R-Line brand names. Some of the plumbing parts and repair products are purchased from other manufacturers. Products are sold principally in the United States and also in Canada, East Asia and Mexico. Sales are made through Moen's own sales force and independent manufacturers' representatives primarily to wholesalers, mass merchandisers and home centers and also to industrial distributors, repackagers and original equipment manufacturers.

Legislation has been introduced in the United States Congress that if enacted would require a reduction in the lead content of plumbing pipes, fittings and fixtures that convey drinking water, unless the EPA issues regulations that establish minimum leaching levels of lead from new plumbing pipes, fittings and fixtures. It is not possible to predict whether federal, state or local legislation, regulations or action will be enacted, promulgated or taken or the nature of any such legislation, regulations or action, nor is it possible to predict the effect any such legislation, regulations or action may have on the industry generally or on Moen.

Master Lock manufactures key-controlled and combination padlocks, chain and cable locks, bicycle locks, built-in locker locks and other specialty security devices, and also manufactures door lock sets and door hardware. Sales of products designed for consumer use are made to wholesale distributors and to hardware and other retail outlets, while sales of lock systems are made to industrial and institutional users, original equipment manufacturers and retail outlets. Most sales are brokered through independent manufacturers' representatives, primarily in the United States and Canada.

Aristokraft manufactures kitchen cabinets and bathroom vanities. Stock and semi-custom cabinets are sold under the brand names of

Aristokraft and Decora, respectively. Sales under the Aristokraft brand name are made in the United States primarily through stocking distributors for resale to kitchen and bath specialty dealers, lumber and building material dealers, remodelers and builders. Decora products are sold primarily to kitchen and bath specialty dealers and regional home centers.

Waterloo is the leading manufacturer of tool storage products in the United States, consisting primarily of high quality steel tool boxes, tool chests, workbenches and related products manufactured for private

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label sale by one of the largest national retailers in the United States. Similar products are sold under the Waterloo and All American brand names to specialty industrial and automotive dealers, mass merchandisers, home centers and hardware stores. Waterloo also manufactures hospital carts and storage units and sells such products to institutional users.

See Item 3, "Legal Proceedings".

Office Products

ACCO World Corporation ("ACCO") is a holding company with subsidiaries engaged worldwide in designing, developing, manufacturing and marketing a wide variety of traditional and computer-related office products and supplies, time management products, presentation aids, workstation furniture and accessories. Products are manufactured by subsidiaries, joint ventures and licensees of ACCO, or manufactured to such subsidiaries' specification, throughout the world, principally in the United States, Canada, Western Europe and Australia.

ACCO USA, Inc., a subsidiary of ACCO, manufactures binders, fasteners, paper clips, punches, staples, stapling equipment and storage products, as well as computer binders, supplies and accessories, in the United States, and ACCO Canada Inc., a subsidiary of ACCO, manufactures and distributes a similar range of office products in Canada. Principal brands include ACCO products, Swingline staples and stapling equipment, Wilson Jones binders and columnar pads and Perma Products corrugated board storage products. Products are sold throughout the United States and Canada by their respective sales forces to office products wholesalers, retailers and dealers and are sold to mass merchandisers either directly or brokered through independent manufacturers' representatives.

Subsidiaries of ACCO Europe PLC, a subsidiary of ACCO, manufacture and distribute a wide range of office supplies and machines and storage and retrieval filing systems. Their products are sold primarily in the United Kingdom, Ireland, Western Europe and Australia through their own sales forces and distributors.

Day-Timers, Inc., a subsidiary of ACCO, manufactures personal

organizers and planners in the United States and Canada and is estimated by management to be the leading direct marketer of time management aids in North America. Products are sold through direct mail advertising and catalogs to consumers and businesses. A subsidiary conducts time management seminars for personnel of corporations and other entities throughout the United States and operates four retail stores. Another subsidiary markets, principally in the United States, art and craft supplies primarily to schools.

Vogel Peterson Furniture Company, a subsidiary of ACCO, manufactures in the United States and distributes ergonomic chairs, workstation components, office coat racks and partitions. Products are sold in the United States and Canada to office product and furniture dealers.

Kensington Microware Limited, a subsidiary of ACCO, designs, develops and markets a range of computer accessories and supplies principally in the United States.

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Specialty Businesses

Golf products

The Titleist and Foot-Joy operations of Acushnet Company ("Acushnet") are comprised of the Titleist and Foot-Joy Worldwide Division of Acushnet and, a subsidiary of Acushnet, Foot-Joy, Inc. ("Foot-Joy"). The Titleist and Foot-Joy Worldwide Division is a leading manufacturer and distributor of golf balls and golf clubs, and also has a line of golf accessories. The Division's leading brands are Titleist and Pinnacle golf balls and DCI, Pro Trajectory and Bulls Eye golf clubs. Foot-Joy is the leading manufacturer of golf shoes and golf gloves. Foot-Joy products also include dress and athletic shoes as well as socks and related accessories. Foot-Joy's leading brands are Classics and Dry-Joys golf shoes and Sta-Sof and Weather-Sof golf gloves. Titleist and Foot-Joy products are sold primarily to golf pro shops throughout the United States by the Titleist and Foot-Joy Worldwide sales force, in the United Kingdom, in Canada and in Germany through a subsidiary, in Japan through a majority-owned joint venture, and outside these areas primarily through distributors.

Rubber products

The Rubber Division of Acushnet manufactures in the United States and a majority-owned joint venture manufactures in Thailand a wide variety of molded products made from natural and synthetic rubber and other elastomeric materials. Sales are made primarily by the division's own sales force and through distributors to industrial users principally in the United States.

Optical goods and services

Dollond & Aitchison Group PLC ("Dollond & Aitchison"), a subsidiary of Gallaher, and its subsidiaries are opticians. Dollond & Aitchison is the largest retail optical group in the United Kingdom, with 447 optical service branches, and its subsidiaries form the largest retail optical groups in Italy and Spain, with 85 branches and 77 branches, respectively, and have 6 branches in the Republic of Ireland and a 50% interest in 13 branches in Switzerland. Its subsidiary, Keeler Limited, manufactures and sells a wide range of ophthalmic and medical instruments.

Retail distribution

Forbuoys PLC, a subsidiary of Gallaher, operates approximately 663 retail newspaper, tobacco, confectionery and stationery outlets in the United Kingdom. Marshall Group Limited, a subsidiary of Gallaher, operates approximately 562 kiosks that sell tobacco products in large stores and 66 retail newspaper, tobacco and confectionery outlets. Another subsidiary of Gallaher, TM Group PLC, the largest vending machine operator in the United Kingdom, dispenses cigarettes, snack foods and hot drinks through approximately 41,000 on-site machines.

Housewares

The Prestige Group PLC ("Prestige"), a subsidiary of Gallaher, manufactures houseware products, including cookware, kitchen tools and

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carpet sweepers, in the United Kingdom and elsewhere. Its principal brand names are Prestige and Ewbank. A subsidiary of Registrant is operated in conjunction with Prestige and manufactures kitchen utensils in the United States.

Other Matters

Employees

Registrant and its subsidiaries (other than Gallaher and its subsidiaries) had, as of December 31, 1993, approximately 23,300 employees in the United States and Canada, a substantial number of whom were covered by collective bargaining agreements with various unions. Of this number, approximately 3,300 were employed in the Tobacco Products segment, 1,500 in the Distilled Spirits segment, 1,350 in the Life Insurance segment, 8,300 in the Hardware and Home Improvement Products segment, 5,000 in the Office Products segment and 3,850 in the Specialty Businesses segment. In addition, approximately 3,200 employees were employed in Europe by subsidiaries of Registrant in the Office Products segment, a substantial number of whom were covered by collective bargaining agreements with

various unions. Gallaher and its subsidiaries had, as of December 31, 1993, approximately 19,100 employees, a substantial number of whom were covered by collective bargaining agreements with various unions and approximately 4,700 of whom were employed in the Tobacco Products segment, 1,200 in the Distilled Spirits segment and 13,200 in the Specialty Businesses segment.

In addition to the approximately 1,350 employees included in the Life Insurance segment above, Franklin was represented by approximately 30 regional managers, 1,830 area managers, general agents and district managers and 870 soliciting agents. The Franklin United Life Insurance Company had approximately 210 agents.

Environmental controls

Registrant and its subsidiaries are subject to federal, state and local laws and regulations concerning the discharge of materials into the environment and the handling, disposal and clean-up of waste materials and otherwise relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that Registrant's subsidiaries may undertake in the future, in the opinion of management of Registrant compliance with the present environmental protection laws, before taking into account estimated recoveries from third parties, will not have a material adverse effect on the capital expenditures, financial condition, results of operations or competitive position of Registrant and its subsidiaries.

See Item 3, "Legal Proceedings".

- (d) Financial information about foreign and domestic operations and export sales.

Registrant's subsidiaries operate in the United States, Europe (principally the United Kingdom) and other areas (principally Canada and Australia). See the table captioned "Information on Business Segments"

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contained in the 1993 Annual Report to Stockholders of Registrant, which table is incorporated herein by reference. As is disclosed in such table, Registrant has sizable investments in, and derives substantial income from, Europe (principally the United Kingdom), and, therefore, changes in the value of foreign currencies (principally sterling) can have a material effect on Registrant's financial statements when expressed in dollars.

Item 2. Properties.

Registrant leases its principal executive offices in Old Greenwich, Connecticut. The following is a description of properties of

Registrant's subsidiaries.

Tobacco Products

The principal properties of Gallaher and its subsidiaries include Gallaher's head office in Weybridge, Surrey, England, office and warehouse facilities in Northolt, Middlesex, England and Crewe, Cheshire, England, a factory in Northern Ireland for the manufacture of cigarettes and smoking tobaccos, a factory in England for the manufacture of cigarettes and two factories in Wales for the manufacture of cigars. Each of these properties is owned or held under long-term lease with an option to acquire by Gallaher or one of its subsidiaries. The principal properties of Gallaher and its subsidiaries also include a factory in the Republic of Ireland, owned and operated by Gallaher (Dublin) Limited, for the manufacture of cigarettes and smoking tobaccos. Gallaher also has a research laboratory in the Northern Ireland factory complex. For a description of properties of other subsidiaries of Gallaher, see "Distilled Spirits" and "Specialty Businesses".

ATCO leases its executive offices in Stamford, Connecticut. ATCO's cigarette manufacturing plant is owned by it and is located in Reidsville, North Carolina. ATCO owns its administrative offices, a research facility and an auxiliary processing facility near Richmond, Virginia. Golden Belt, a subsidiary of ATCO, owns and operates a plant in North Carolina.

Distilled Spirits

Beam leases its executive offices in Deerfield, Illinois, and a subsidiary leases an office in Burnaby, British Columbia. Beam and its subsidiaries own and operate five bottling plants and three distilleries and approximately 95 warehouses for the aging of bulk whiskies, and lease and operate 17 regional sales offices and several warehouses for the storage of promotional material, all located in the United States, Australia and Canada. Beam also owns and operates approximately 70 U.S. bonded warehouses. Whyte & Mackay leases its head office in Glasgow, Scotland and owns and operates three distilleries and two blending and bottling plants in Scotland. Invergordon owns its head offices in Edinburgh, Scotland and owns and operates four malt distilleries, one grain distillery and a blending and bottling plant in Scotland.

Life Insurance

Franklin owns its home office building in Springfield, Illinois.

Hardware and Home Improvement Products

MasterBrand leases its executive offices in Deerfield, Illinois and a subsidiary, Moen, owns its executive office in North Olmstead, Ohio. Principal properties of subsidiaries of MasterBrand include nineteen plants, four distribution centers and one warehouse owned and operated in the United States. A 50%-owned joint venture in Taiwan owns and operates one plant. In addition, subsidiaries of MasterBrand lease and operate three plants and four warehouses in the United States and eleven distribution centers, of which eight are in the United States and one each in Canada, Japan and Mexico.

Office Products

ACCO leases its executive offices in Deerfield, Illinois. Principal properties of subsidiaries of ACCO include eight plants owned and operated in the United States, seven in the United Kingdom, and one in each of Germany, Italy, France, Australia, The Netherlands, the Republic of Ireland and Mexico. In addition, subsidiaries of ACCO lease and operate eleven facilities in the United States, four in the United Kingdom, three in Canada and one in each of Australia, France and Italy. Of these leased facilities, (i) four in the United States, two in the United Kingdom, three in Canada and one in each of Australia and France, are combined manufacturing and distribution facilities, (ii) five in the United States, two in the United Kingdom and one in Italy, are distribution facilities and (iii) two in the United States are manufacturing facilities. A subsidiary also leases four retail stores in the United States.

Specialty Businesses

Acushnet owns its combined executive office and research and development facility in Fairhaven, Massachusetts. In addition, it owns and operates two plants, one warehouse, two plants with combined manufacturing and warehousing operations and a test facility, and leases and operates one plant, two warehouses, a research and development facility and a test facility, all located in the United States. In addition, Foot-Joy owns and operates a plant and a warehouse and leases and operates a retail store and a warehouse in the United States and also leases an office in Taiwan. A subsidiary of Acushnet leases two combined sales offices and warehouse facilities in Canada. Other Acushnet subsidiaries own and operate a plant and a warehouse in England and lease a sales office and a warehouse in Germany, Austria, Denmark and France, and lease a sales office in the Republic of Ireland. Acushnet's majority-owned joint venture in Japan leases two sales offices and one storage facility there. Acushnet's majority-owned joint venture in Thailand leases and operates one manufacturing and warehouse facility there and Foot-Joy's majority-owned joint venture in Thailand leases and operates two plants there. Plants of subsidiaries of Gallaher include three plants in England owned or leased and operated by Dollond & Aitchison. Prestige leases its head office in Egham, England and owns and operates a plant in Burnley, England. Prestige also owns and operates a plant in each of Spain and Australia. A subsidiary of Registrant, which is operated in conjunction with Prestige, leases one plant in North Carolina.

Registrant and its subsidiaries are of the opinion that their properties are suitable to their respective businesses and have productive capacities adequate to the needs of such businesses.

Item 3. Legal Proceedings.

(a) (i) ATCO and other leading tobacco manufacturers have been sued by parties seeking damages for cancer and other ailments claimed to have resulted from tobacco use and by certain asbestos manufacturers seeking unspecified amounts in indemnity or contribution in third-party actions against all or most of the major domestic tobacco manufacturers. At March 25, 1994, ATCO or ATCO's predecessor had disposed of 233 actions, and the industry a total of 422, all without recovery by the plaintiffs or by the third-party plaintiffs. Although there was a jury award which was overturned on appeal against another tobacco manufacturer in the Cipollone case, discussed below, there has been no actual recovery of damages to date in any such action against the tobacco manufacturers; however, unfavorable decisions in other cases could increase filing of additional actions against the tobacco manufacturers, which would add to the high cost of defending such litigation as well as increase the defendants' damage exposure.

Eighteen cases have come to trial, all against manufacturers as direct defendants. Sixteen of such cases resulted in judgments for the defendant or defendants. At March 25, 1994, ATCO was a defendant in 28 pending cases. In two cases, ATCO has been joined as a defendant with members of the asbestos industry and it is alleged that the combination of smoking and exposure to asbestos produced injury and death. One case in which ATCO is a defendant, *Butler, et al. v. R.J. Reynolds Tobacco Co., et al.*, described below, in which plaintiffs are seeking damages for alleged injuries claimed to have resulted from exposure to tobacco smoking of others, is scheduled to come to trial on September 5, 1994. In *Wilkes, et al. v. The American Tobacco Company, et al.*, described below, the jury found in favor of the defendants on June 17, 1993. Plaintiffs have appealed from the judgment entered on the jury verdict and from the trial court's denial of their request to seek "lifetime damages" unrelated to the cause of death and their request to seek punitive damages. ATCO has cross-appealed from the trial court's pretrial ruling regarding "absolute liability" and the court's ruling striking defendants' affirmative defenses.

In *Horton, et al. v. The American Tobacco Company, et al.*, described below, on September 24, 1990, the jury found "for the plaintiffs against [T]he American Tobacco Company and against New Deal Tobacco and

Candy Company, Inc. and assessed actual damages at \$0." Plaintiffs have appealed from the judgment entered on the jury verdict and from the court's denial of their post-trial motion for, alternatively, an additur on damages, a new trial on the issue of damages or a new trial on all issues. ATCO has cross-appealed from the judgment and from the court's order denying its motion for judgment notwithstanding the verdict. Oral argument on the appeals took place before the Mississippi Supreme Court on August 17, 1993. In Broin, et al. v. Philip Morris Companies Inc., et al., described below, certain airline flight attendants are seeking unspecified compensatory and \$5 billion punitive damages for alleged injuries claimed to have resulted from exposure to tobacco smoking of others and are seeking to establish class-action status on behalf of other alleged nonsmoking

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flight attendants. ATCO's counsel, Chadbourne & Parke, have advised that, in their opinion, the specified damages claimed in pending actions against ATCO, which approximate \$6,618,185,000 in the aggregate, are exaggerated. It has been reported that certain groups of attorneys are interested in promoting product liability suits against the tobacco manufacturers. It has also been reported that other claims against the tobacco manufacturers may be made seeking damages for alleged injuries claimed to have resulted from exposure to tobacco smoking of others.

In Cordova v. Liggett Group Inc., et al., described below, plaintiffs are seeking injunctive relief and restitution on behalf of the general public of the State of California for defendants' claimed failure to disclose to the public information regarding research relating to smoking and health sponsored by The Council for Tobacco Research, an organization whose members include ATCO and other cigarette manufacturers. Plaintiff's complaint in Cordova references the opinion filed February 6, 1992 by Judge Sarokin of the United States District Court for the District of New Jersey in the case of Haines v. Liggett Group Inc., et al., to which ATCO is not a party. In that opinion, Judge Sarokin ruled that plaintiff had made sufficient showing of evidence to warrant disclosure under the crime-fraud exception to the attorney-client privilege of documents regarding research relating to smoking and health sponsored by The Council for Tobacco Research which the defendants in that case had claimed were protected from discovery by plaintiff. Defendants in Haines sought appellate review of Judge Sarokin's February 6, 1992 opinion. On September 4, 1992, the United States Court of Appeals for the Third Circuit granted defendant's petition for writ of mandamus and directed that Judge Sarokin's February 6, 1992 ruling be vacated and that the case be remanded and assigned to another District Court judge. The opinion of the Court of Appeals also stated that the District Court judge to whom the case is reassigned on remand may reconsider the magistrate judge's order stating that the crime-fraud exception did not apply, which order had been reversed by Judge Sarokin's ruling, or alternatively may remand the proceedings to the magistrate judge for his reconsideration. On September 14, 1992, Judge Sarokin, as directed, vacated his February 6, 1992 opinion and orders in

Haines. Plaintiff's allegations in Haines may be similar to allegations which have been made in other actions in which ATCO is a defendant. ATCO has been advised that the United States Attorney for the Eastern District of New York has commenced a criminal investigation in connection with activities relating to The Council for Tobacco Research following the February 6, 1992 opinion in Haines. It is not possible to predict the outcome of the investigation.

Another case, *Cipollone v. Liggett Group, Inc., et al.*, tried against manufacturers other than ATCO, resulted in a jury award of \$400,000 against one of three defendants on a theory of breach of warranty. On January 5, 1990, the jury award in *Cipollone* was reversed and remanded for a new trial by the United States Court of Appeals for the Third Circuit. Plaintiff petitioned the United States Supreme Court to review that ruling. As described below, on June 24, 1992, the Supreme Court reversed in part and affirmed in part the ruling of the Court of Appeals. The *Cipollone* case was tried before Judge Sarokin. On September 11, 1992, following the September 4, 1992 decision of the United States Court of Appeals for the Third Circuit in Haines discussed above, Judge Sarokin removed himself from the *Cipollone* case. On November 5, 1992, plaintiff voluntarily dismissed the *Cipollone* case with prejudice. Counsel for plaintiff in *Cipollone* also

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represented the plaintiffs in *Smith, et al. v. R.J. Reynolds Tobacco Co., et al.* and the plaintiff in Haines. On December 2, 1992, plaintiffs' counsel in *Smith* filed a motion to withdraw as counsel of record; that motion was granted on January 8, 1993. Plaintiffs appealed the ruling. On August 9, 1993, the Appellate Division of the New Jersey Superior Court vacated the lower court's ruling which had permitted plaintiffs' counsel to withdraw. The appellate court directed that the trial court convene a hearing on plaintiffs' counsel's motion to withdraw. Plaintiff's counsel in Haines also sought to withdraw and be substituted by new counsel. The motion to withdraw in Haines, however, was denied by United States District Judge Lechner on January 26, 1993. Counsel appealed. Argument on that appeal was heard before the Court of Appeals for the Third Circuit on September 22, 1993.

On June 24, 1992, the Supreme Court reversed in part and affirmed in part the ruling of the Court of Appeals for the Third Circuit in *Cipollone*. The Supreme Court held that the 1965 version of the Labeling Act did not preempt lawsuits seeking money damages for personal injuries allegedly caused by cigarette smoking. The Supreme Court further held that the Public Health Cigarette Smoking Act of 1969, which, among other things, amended the preemption provision of the 1965 version of the Labeling Act effective July 1, 1969, preempts such lawsuits based on alleged failure to warn and the neutralization of the federally mandated warnings to the extent that those claims rely on omissions or inclusions in cigarette advertising or promotions, but that the 1969 version of the Labeling Act does not preempt claims based on alleged breach of express warranty, or

certain claims based on intentional fraud and misrepresentation or conspiracy.

In addition, legislation has been introduced in the United States Congress that if enacted would limit the effect of the preemption provisions of the Labeling Act. It is not possible to predict whether or not the Supreme Court's decision in Cipollone will affect, or whether or not the enactment of any such legislation would affect, filing of additional actions against tobacco manufacturers and, as a result, litigation costs and defendant's damage exposure.

ATCO has received a civil investigative demand from the U.S. Department of Justice, Antitrust Division, seeking the production of documents relating to matters including "fire-safe or self-extinguishing cigarettes". The civil investigative demand states that it has been issued in the course of an investigation to determine whether there is or has been a violation of Section 1 of the Sherman Act. It is not possible to predict the outcome of the investigation.

While it is not possible to predict the outcome of pending litigation, management of Registrant does not believe that, based on failure of recovery to date except as noted above and the advice of counsel, the pending litigation will have a material adverse effect on Registrant's financial condition. If, however, there were to be a significant increase in such litigation, the increased financial burden could be material. See the note captioned "Pending Litigation" in the Notes to Consolidated Financial Statements contained in the 1993 Annual Report to Stockholders of Registrant, which note is incorporated herein by reference.

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ATCO's counsel have advised that, in their opinion, on the basis of their investigations generally with respect to suits and claims of this character, ATCO has meritorious defenses to the above-mentioned actions and threatened actions. The actions will be vigorously defended on the merits.

Except as otherwise noted, the following sets forth the principal parties to the above-described pending proceedings, the court in which such proceedings are pending and the date such proceedings were instituted against ATCO or ATCO's predecessor: Allgood v. R.J. Reynolds Tobacco Company, et al., United States District Court for the Southern District of Texas, January 4, 1991; Arabie v. R.J. Reynolds Tobacco Company, et al., District Court, State of Louisiana, Parish of Jefferson, October 5, 1993; Blanchard, et al. v. Brown and Williamson Tobacco Corp., et al., District Court, State of Texas, County of Galveston, December 28, 1992; Bluit v. R.J. Reynolds Tobacco Co., et al., United States District Court for the Northern District of Texas, August 30, 1993; Bridges, et al. v. The American Tobacco Company, Supreme Court, State of New York, County of

Albany, November 17, 1970; Broin, et al. v. Philip Morris Companies, Inc., et al., Circuit Court of the 11th Judicial Circuit, State of Florida, County of Dade, November 8, 1991; Butler v. R.J. Reynolds Tobacco Co., et al., United States District Court for the Southern District of Mississippi, October 23, 1992; Chustz v. R.J. Reynolds Tobacco Company, et al., United States District Court for the Middle District of Louisiana, August 13, 1993; Cordova v. Liggett Group, Inc., et al., Superior Court of the State of California for the County of San Diego, May 12, 1992; Dunn v. RJR Nabisco Holdings Corporation, et al., Superior Court State of Indiana, County of Delaware, May 28, 1993; Dyer, et al. v. American Tobacco Company, Inc., et al., District Court, State of Texas, County of Travis, December 20, 1985; Gilboy, et al. v. American Tobacco Company, et al., District Court, State of Louisiana, Parish of East Baton Rouge, April 8, 1987; Grinnell, et al. v. The American Tobacco Co., Inc., et al., District Court, State of Texas, County of Jefferson, October 22, 1985; Haight, et al. v. The American Tobacco Co., et al., Circuit Court of Kanawha County, West Virginia, May 30, 1984; Horton, et al. v. The American Tobacco Company, et al., Circuit Court, State of Mississippi, County of Lafayette, May 12, 1986; Hulin, et al. v. Fibreboard Corporation, et al., United States District Court for the Middle District of Louisiana, January 15, 1986; Hutchin v. American Tobacco Company, et al., United States District Court for the Western District of Louisiana, September 29, 1992; Manago, et al. v. Lorillard, Inc. et al., Supreme Court, State of New York, County of Queens, March 21, 1988; Miceli v. American Tobacco Company, et al., District Court, State of Louisiana, Parish of East Baton Rouge, August 3, 1987; Miceli v. Armstrong World Industries, et al., District Court, State of Louisiana, Parish of East Baton Rouge, January 18, 1989; Pitre v. GAF Corporation, et al., District Court, Parish of East Baton Rouge, State of Louisiana, December 18, 1992; Rogers, I.D., et al. v. R.J. Reynolds Tobacco Company, et al., District Court, State of Texas, County of Jefferson, March 14, 1985; Rogers, Y., Executrix v. R.J. Reynolds Tobacco Co., et al., Superior Court, State of Indiana, County of Marion, March 27, 1987; Rothgeb, et al. v. The American Tobacco Company, et al., District Court, State of Texas, County of Travis, June 9, 1986; Smith, et al. v. R.J. Reynolds Tobacco Co., et al., Superior Court, State of New Jersey, County of Middlesex, September 24, 1984; Smith, Administrator v. American Tobacco Company, Court of Common Pleas, Commonwealth of Pennsylvania, County of Philadelphia, summons served July 1, 1970; Voth v. Forsyth Tobacco Products, et al., United States District Court for the District of Oregon,

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August 10, 1993; Wilkes, et al. v. The American Tobacco Company, et al., Circuit Court, State of Mississippi, County of Holmes, January 6, 1988.

With regard to proceedings of the above-described type which have been terminated and not previously reported as such: Jamerson v. American Brands, Inc., et al., which was previously pending in the United States District Court for the Eastern District of New York and instituted on July 25, 1990, was voluntarily dismissed by stipulation on November 5, 1993;

White v. The American Tobacco Company, et al., which was previously pending in the United States District Court for the District of Nevada and instituted on February 13, 1989, was dismissed on summary judgment on December 2, 1991, and affirmed by the United States Court of Appeals for the Ninth Circuit on August 20, 1993; Bentz v. Eagle Tobacco Corp., et al., which was previously pending in the United States District Court for the District of Oregon and instituted on September 27, 1993, was dismissed with prejudice on October 21, 1993; Guillory v. R.J. Reynolds tobacco Company, et al., which was previously pending in the United States District Court for the Western District of Louisiana and instituted on February 18, 1993, was voluntarily dismissed without prejudice on November 22, 1993; Dalio v. Philip Morris, Inc., et al., which was previously pending in Superior Court, County of Middlesex, Massachusetts and instituted on January 11, 1993, was dismissed with prejudice by stipulation on January 7, 1994; and Marks v. R.J. Reynolds Tobacco Company, et al., which was previously pending in the United States District Court for the Western District of Louisiana and instituted on September 21, 1992, was dismissed with prejudice as to ATCO on January 24, 1994.

(ii) Dean v. Gallaher Limited is an action commenced in the High Court of Justice in Northern Ireland in which plaintiff seeks unspecified damages including lost income for claimed personal injuries allegedly related to cigarette smoking. In March 1988, plaintiff obtained Legal Aid to proceed up to the point of trial. He served his Writ of Summons in August 1988 and his Statement of Claim in August 1989. Plaintiff filed an amended Statement of Claim on October 6, 1993. Gallaher subsequently filed a motion to strike from the amended Statement of Claim a predecessor to Gallaher, Hergall (1981) Limited (In Liquidation) ("Hergall"), as a second defendant in the action. The motion was heard on November 30, 1993 and was granted. Plaintiff served a Writ of Summons on Hergall on December 1, 1993 and a Statement of Claim against Hergall on February 22, 1994. Plaintiff's lawyers also purported to re-amend the statement of claim against Gallaher. Applications are expected to be made by Gallaher and Hergall in May 1994 to strike out parts of the statements of claim against those companies. The companies have obtained orders extending the time in which their defenses must be served until after the hearing of the "strike-out" applications. Plaintiff's appeals against those extension of time orders are also due to be heard in May 1994. Lawyers in the United Kingdom have sought Legal Aid to prepare and file other smoking and health lawsuits against tobacco manufacturers, but to date, all such requests have been denied, with the exception of the plaintiffs in the Dean case and the Brennan case described below. An application for Judicial Review of the refusal to grant Legal Aid to approximately 225 prospective plaintiffs in actions against tobacco companies, including Gallaher, is pending. Tobacco manufacturers, including Gallaher, have been advised they are entitled to participate in the Judicial Review and are seeking an order of the court to that effect. In Brennan v. Gallaher Limited, pending in the High Court of Justice in Northern Ireland, plaintiff, a former employee of Gallaher, seeks

unspecified damages for claimed personal injuries from the alleged "provision of cigarettes for [sic] the plaintiff". Plaintiff served her Writ of Summons in October 1990, and no Statement of Claim has been received. Counsel have advised that, in their opinion, on the basis of their investigation, Gallaher has meritorious defenses to these actions, and they will be vigorously defended on the merits. In addition, Gallaher received a letter before action dated July 23, 1992 from a solicitor in Scotland acting for Alfred McTear stating that his client had instructed him to make a claim against Gallaher for lung cancer claimed to have been caused by smoking. In January 1993 Gallaher received a letter from plaintiff's solicitors indicating that they did not intend to proceed against Gallaher and on January 28, 1993, plaintiff filed and served a Writ of Summons and Condescendence in the Court of Session naming only Imperial Tobacco Limited as defendant.

(b) Registrant is aware of four lawsuits brought against manufacturers of alcoholic beverages in which alleged birth defects in infants were claimed to have been caused by the consumption of alcohol during pregnancy by the mothers of the infants. None of those actions is currently pending. Beam was a defendant in one of these lawsuits, and such lawsuit resulted in a jury verdict in favor of Beam in 1989. The other actions were dismissed without prejudice at the request of the plaintiffs. Registrant is also aware of other lawsuits against manufacturers of alcoholic beverages in which other various claimed injuries have been alleged to have been caused by their products. Beam has successfully defended such actions brought against it in the past. On September 29, 1992, the jury in *Brune v. Brown-Forman Corp.*, a Nueces County, Texas state court action alleging the defendant failed to warn about the risk of death from excessive alcohol consumption, returned a verdict holding the defendant responsible for 35% of \$1,500,000 in damages. Brown-Forman has appealed this verdict. Neither Registrant nor any of its subsidiaries, including Jim Beam Brands Co., is a party to this action.

(c) *Forstmann Leff Associates, Inc., et al. v. American Brands, Inc., et al.*, is an action commenced in the United States District Court for the Southern District of New York on June 28, 1988. Plaintiffs, alleged holders of 12.85% Senior Subordinated Notes due 1997 and 13.05% Subordinated Debentures due 1999 of E-II Holdings Inc., formerly a subsidiary of Registrant ("E-II"), allege, inter alia, that defendants violated Sections 14(e), 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and engaged in common law fraud by intentionally or recklessly making certain allegedly false and misleading statements of material fact, failing to disclose certain material facts and failing to correct false and misleading statements in connection with the Offer To Purchase And Consent Solicitation for All 12.85% Senior Subordinated Notes due 1997 and All 13.05% Subordinated Debentures due 1999 of E-II (the "Offer to Purchase") by AMBR Holdings Inc., formerly a subsidiary of Registrant ("AMBR"), and certain filings made by Registrant, AMBR and E-II with the Securities and Exchange Commission regarding their alleged plans for the disposition of E-II and

certain subsidiaries of E-II. On August 26, 1991, plaintiffs served their fourth amended complaint making substantially the same allegations as did their previous complaints and seeking not less than \$400 million in damages against Registrant and two executive officers and a former executive officer of Registrant. The Board of Directors of Registrant has determined that such officers and former officer shall be indemnified in full by

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Registrant for all expense, liability and loss reasonably incurred by them in connection with such action. On November 19, 1993 Registrant settled for approximately \$11 million the claims of the remaining plaintiffs holding approximately 20% of the total face amount of E-II debt securities originally alleged to be represented in the Forstmann Leff action. These remaining plaintiffs also released all of their claims against two executive officers and a former executive officer of Registrant. Registrant had previously settled for approximately \$37.3 million the claims of the holders of approximately 80% of the total face amount of E-II debt securities originally alleged to be represented in the action. As in the case of the earlier settlements, previously-established reserves fully covered the amount paid in the settlement with the remaining plaintiffs.

(d) People of the State of California ex rel. Daniel E. Lungren, Attorney General of the State of California v. American Standard, et al., is an action commenced on December 15, 1992 against Moen and 15 other faucet manufacturers and distributors in the Superior Court of the State of California, County of San Francisco. The Attorney General of California alleges violations of California Health and Safety Code Sections 25249.5 and 25249.6 (Proposition 65), as well as two violations of the California Business and Professions Code Section 17200, for alleged intentional discharge of lead from faucets to sources of drinking water and failure to provide clear and reasonable warnings to consumers, and seeks civil penalties of up to \$2,500 per day per violation on each cause of action. The Attorney General also seeks injunctive relief prohibiting further discharges of lead from faucets into drinking water sources or, in the alternative, requiring clear and reasonable warnings regarding lead in faucets, restitution to consumers and other relief. A related action against these companies and others, including Moen, MasterBrand and Registrant, has also been brought by environmental groups in the same court, Natural Resources Defense Council, et al., v. Price Pfister, Inc., et al. In that case, plaintiffs allege the same claims as the Attorney General's action and also allege certain other violations, including violation of the Consumer Legal Remedies Act, Civil Code Section 1750. The plaintiffs seek similar injunctive relief and establishment of a public information campaign concerning lead from faucets, restitution and disgorgement of funds obtained from California consumers by unlawful or unfair business practices and establishment of a fund for medical monitoring of infants exposed to lead from faucets. The plaintiffs also seek compensatory damages, statutory penalties, punitive damages, reasonable attorneys' fees and costs. On July 26, 1993, an agreement was

filed whereby plaintiffs in Natural Resources Defense Council agreed to dismiss without prejudice the action as to MasterBrand and Registrant. The plaintiffs in both actions moved for injunctive relief to require certain of the defendants to post prescribed warnings. In Natural Resources Defense Council, the court refused to issue any order regarding the motion pending resolution of defendants' demurrer challenging plaintiffs' standing to bring the action, which demurrer was filed on April 16, 1993. A hearing on the demurrer has been delayed until further notice from the court. In Lungren, on May 17, 1993, the court issued an order requiring certain of the defendants in the action, including Moen, to provide warnings in accordance with the protocol voluntarily proposed by the defendants. The court made no finding of liability for failure to warn. On April 16, 1993, defendants filed a demurrer in respect of plaintiffs' claims based on defendants' alleged intentional discharge of lead from faucets to sources

of drinking water. A hearing on the demurrer has been delayed until further notice from the court. These actions will be vigorously contested.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 4a. Executive Officers of the Registrant.

The name, present positions and offices with Registrant, principal occupations during the past five years and age of each of Registrant's present executive officers are as follows:

Name	Present positions and offices with Registrant and principal occupations during the past five years	Age
-----	-----	---
William J. Alley	Chairman of the Board and Chief Executive Officer of Registrant	64
Thomas C. Hays	President and Chief Operating Officer of Registrant	58
Arnold Henson	Executive Vice President and Chief Financial Officer of Registrant	62
Robert L. Plancher	Senior Vice President and Chief Accounting Officer of Registrant	62
Robert J. Rukeyser	Senior Vice President -- Corporate Affairs	51

of Registrant since 1990; Vice President --
Operations of Registrant prior thereto

Gilbert L. Klemann, II Senior Vice President and General Counsel 43
of Registrant since 1991; Vice President
and Associate General Counsel of Registrant
during 1991; Partner, Chadbourne & Parke
(law firm) prior thereto

John T. Ludes Group Vice President of Registrant; President 57
and Chief Executive Officer of Acushnet since
1982; Chairman of Titleist and Foot-Joy
Worldwide since 1992

Howard C. Humphrey Vice President -- Life Insurance of 60
Registrant since 1989; Chairman of the Board,
President and Chief Executive Officer
of Franklin since 1992; Chairman of the
Board and Chief Executive Officer of
Franklin from 1990 to 1992; Chairman
of the Board, President and Chief Executive
Officer of Franklin prior thereto

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Present positions and offices with
Registrant and principal occupations
during the past five years

Name		Age
-----	-----	----
Randall W. Larrimore	Vice President -- Hardware and Home Improvement Products of Registrant; President and Chief Executive Officer of MasterBrand	46
Steven C. Mendenhall	Vice President and Chief Administrative Officer of Registrant since 1993; Vice President -- Human Resources prior thereto	45
Barry M. Berish	Vice President -- Distilled Spirits of Registrant since 1990; Chairman of the Board and Chief Executive Officer of Beam since 1993; President and Chief Executive Officer of Beam prior thereto	61
Norman H. Wesley	Vice President -- Office Products of Registrant since 1990; President and Chief Executive Officer of ACCO since 1990;	44

Mr. Peter M. Wilson, who has been a member of the Executive Committee of the Board of Directors of Registrant and Chairman and Chief Executive of Gallaher since February 1, 1994, is deemed to be an executive officer of Registrant for the purposes of this Item 4a. Mr. Wilson was Joint Deputy Chairman of Gallaher from 1987 to 1989 and Deputy Chairman from 1989 to 1994 and has been Chairman and Chief Executive of Gallaher Tobacco Limited since 1987. His age is 52.

In the case of each of the above-listed executive officers, the occupation or occupations given were his principal occupation and employment during the period or periods indicated. None of such executive officers is related to any other such executive officer. None was selected pursuant to any arrangement or understanding between him and any other person. All executive officers are elected annually.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

See the information in the tables captioned "Quarterly Common Stock Dividend Payments" and "Quarterly Composite Common Stock Prices" and the discussion relating thereto contained in the 1993 Annual Report to Stockholders of the Registrant, which information and discussion are incorporated herein by reference. On March 4, 1994, there were 63,697 record holders of Registrant's Common Stock, par value \$3.125 per share.

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Item 6. Selected Financial Data.

See the information in the table captioned "Eleven-Year Consolidated Selected Financial Data" contained in the 1993 Annual Report to Stockholders of the Registrant, which information is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

See the discussion and analysis under the captions "Results of Operations" and "Financial Review" contained in the 1993 Annual Report to Stockholders of Registrant, which discussion and analysis are incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

See the information in the Consolidated Statement of Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Consolidated Statement of Common Stockholders' Equity, Notes to Consolidated Financial Statements and Report of Independent Accountants contained in the 1993 Annual Report to Stockholders of Registrant, which information is incorporated herein by reference. For unaudited selected quarterly financial data, see the table captioned "Quarterly Financial Data" contained in the 1993 Annual Report to Stockholders of Registrant, which table is incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of Registrant.

See the information under the caption "Election of Directors" contained in the Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on May 3, 1994, which information is incorporated herein by reference. See also the information with respect to executive officers of Registrant under Item 4a of Part I hereof, which information is incorporated herein by reference.

Item 11. Executive Compensation.

See the information up to but not including the subcaption "Report of the Compensation and Stock Option Committee on Executive Compensation" under the caption "Executive Compensation" contained in the Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on May 3, 1994, which information is incorporated herein by reference.

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Item 12. Security Ownership of Certain Beneficial Owners and Management.

See the information in the table and notes related thereto and in the third to last paragraph under the caption "Election of Directors" and

the information under the caption "Certain Information Regarding Security Holdings" contained in the Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on May 3, 1994, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

See the information in the second to last paragraph under the caption "Election of Directors" contained in the Proxy Statement for the Annual Meeting of Stockholders of Registrant to be held on May 3, 1994, which information is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules,
and Reports on Form 8-K.

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements (all financial statements listed below are of Registrant and its consolidated subsidiaries)

Consolidated Statement of Income for the years ended December 31, 1993, 1992 and 1991 contained in the 1993 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Consolidated Balance Sheet as of December 31, 1993 and 1992 contained in the 1993 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Consolidated Statement of Cash Flows for the years ended December 31, 1993, 1992 and 1991 contained in the 1993 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Consolidated Statement of Common Stockholders' Equity for the years ended December 31, 1993, 1992 and 1991 contained in the 1993 Annual Report to Stockholders of Registrant is incorporated herein by reference.

Notes to Consolidated Financial Statements contained in the 1993 Annual Report to Stockholders of Registrant are incorporated herein by reference.

Report of Independent Accountants contained in the 1993 Annual Report to Stockholders of Registrant is incorporated herein by reference.

(2) Financial Statement Schedules

See Index to Financial Statement Schedules of Registrant and subsidiaries at page F-1, which Index is incorporated herein by reference.

(3) Exhibits

- 3(i). Certificate of Incorporation of Registrant as in effect on the date hereof is incorporated herein by reference to Exhibit 3a2 to the Quarterly Report on Form 10-Q of Registrant dated May 14, 1990.
- 3(ii). By-laws of Registrant as in effect on the date hereof are incorporated herein by reference to Exhibit 3(ii)b to the Quarterly Report on Form 10-Q of Registrant dated November 11, 1993.
- 10a1. Article XII ("Incentive Compensation") of the By-laws of Registrant is incorporated herein by reference to Exhibit 3(ii)b to the Quarterly Report on Form 10-Q of Registrant dated November 11, 1993.*
- 10b1. Stock Option Plan of American Brands, Inc., as amended is incorporated herein by reference to Exhibit 10b1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10b2. Amendment to Stock Option Plan of American Brands, Inc. constituting Exhibit 10b1 hereto is incorporated herein by reference to Exhibit 10a to the Quarterly Report on Form 10-Q of Registrant dated November 11, 1993.*
- 10b3. 1986 Stock Option Plan of American Brands, Inc. and amendments thereto is incorporated herein by reference to Exhibit 10b2 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10b4. Amendment to 1986 Stock Option Plan of American Brands, Inc. constituting Exhibit 10b3 hereto is incorporated herein by reference to Exhibit 10b to the Quarterly Report on Form 10-Q of Registrant dated November 11, 1993.*
- 10b5. 1990 Long-Term Incentive Plan of American Brands, Inc. is incorporated herein by reference to Exhibit 10b4 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*

- 10b6. Amendment to 1990 Long-Term Incentive Plan of American Brands, Inc. constituting Exhibit 10b5 hereto is incorporated herein by reference to Exhibit 10 to the Quarterly Report on Form 10-Q of Registrant dated May 13, 1993.*
- 10b7. Stock Plan for Non-employee Directors of American Brands, Inc. is incorporated herein by reference to Exhibit 10b5 to the Annual

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Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*

- 10c1. Amended Supplemental Retirement Plan of American Brands, Inc.*
- 10c2. Trust Agreement, made as of the 1st day of February, 1989, among Registrant, The Chase Manhattan Bank (National Association) ("Chase"), et al. establishing a trust in favor of William J. Alley for purposes of paying amounts under the Amended Supplemental Retirement Plan constituting Exhibit 10c1 hereto is incorporated herein by reference to Exhibit 10c2 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1988.*
- 10c3. Amendment made as of the 1st day of November, 1993 to Trust Agreement constituting Exhibit 10c2 hereto.*
- 10c4. Schedule identifying substantially identical agreements to the Trust Agreement and Amendment thereto constituting Exhibits 10c2 and 10c3 hereto, respectively, in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10c5. Trust Agreement, made as of the 1st day of November, 1993, among William J. Alley, Registrant and Chase establishing a grantor trust in favor of William J. Alley for purposes of paying amounts under the Amended Supplemental Retirement Plan constituting Exhibit 10c1 hereto.*
- 10c6. Schedule identifying substantially identical agreements to the Trust Agreement constituting Exhibit 10c5 hereto in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10d1. Executive mortgage program of Registrant in connection with relocation of corporate headquarters is incorporated herein by

reference to Exhibit 10d1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*

10e1. Resolutions of the Board of Directors of Registrant adopted on October 28, 1986 and July 26, 1988 adopting and amending a retirement plan for directors of Registrant who are not officers or employees of Registrant or a subsidiary thereof are incorporated herein by reference to Exhibit 10e1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*

10f1. The Franklin Life Insurance Company Supplemental Retirement Plan effective January 1, 1988 as amended and restated effective January 1, 1993.*

10f2. Trust Agreement, made as of the 25th day of January, 1990, among The Franklin Life Insurance Company ("The Franklin"), The Marine Bank of Springfield and Milliman & Robertson, establishing a

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trust in favor of Howard C. Humphrey for purposes of paying amounts under the supplemental retirement plan constituting Exhibit 10f1 hereto is incorporated herein by reference to Exhibit 10f2 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*

10f4. Trust Agreement, made as of the 16th day of December, 1993, among Howard C. Humphrey, The Franklin and Bank One, Springfield (State Association) establishing a grantor trust in favor of Howard C. Humphrey for purposes of paying amounts under the Supplemental Retirement Plan constituting Exhibit 10f1 hereto.*

10g1. Gallaher Limited Executive Incentive Plan adopted on June 20, 1990 is incorporated herein by reference to Exhibit 10g1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*

10g2. Trust Deed dated March 24, 1983 between Gallaher Limited ("Gallaher") and Gallaher Pensions Limited, and amendments thereto, providing supplemental retirement benefits to certain executives of Gallaher are incorporated herein by reference to Exhibits 10g2 and 10g3 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1989.*

10g3. Trust Deed dated June 3, 1992 further amending Exhibit 10g2 hereto is incorporated herein by reference to Exhibit 10g3 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*

- 10g4. Trust Deed dated January 24, 1994 further amending Exhibit 10g2 hereto.*
- 10h1. ACCO World Corporation Management Incentive Plan is incorporated herein by reference to Exhibit 10h1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10i1. ACCO World Corporation Supplemental Benefit Plan for Key Employees is incorporated herein by reference to Exhibit 10k1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1989.*
- 10j1. American Franklin Company Senior Executive and Key Manager Incentive Plan is incorporated herein by reference to Exhibit 10j1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*
- 10k1. Jim Beam Brands Co. Senior Executive and Key Manager Incentive Plan is incorporated herein by reference to Exhibit 10m4 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10k2. Jim Beam Brands Co. Amended Excess Benefit Plan.*
- 10k3. Trust Agreement, made as of December 24, 1991, among Jim Beam Brands Co. ("Beam"), Chase and Hewitt Associates, establishing a trust in favor of Barry M. Berish for purposes of paying amounts

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under the Amended Excess Benefit Plan constituting Exhibit 10k2 hereto is incorporated herein by reference to Exhibit 10m3 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*

- 10k4. Amendment made as of the 17th day of November, 1993 to Trust Agreement constituting Exhibit 10k3 hereto.*
- 10k5. Trust Agreement, made as of the 15th day of December, 1993, among Barry M. Berish, Beam and Chase establishing a grantor trust in favor of Barry M. Berish for purposes of paying amounts under the Amended Excess Benefit Plan constituting Exhibit 10k2 hereto.*
- 10l1. Resolution of the Board of Directors of Registrant adopted on December 11, 1985 with respect to retirement and health benefits provided to William J. Alley is incorporated herein by reference to Exhibit 10e2 to the Registration Statement on Form 8-B of Registrant dated January 27, 1986.*
- 10l2. Agreement dated as of March 1, 1988 between Registrant and

William J. Alley and amendments thereto providing certain retirement benefits is incorporated herein by reference to Exhibit 1012 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*

- 10m1. Resolutions of the Board of Directors of Registrant adopted on December 11, 1985 and February 23, 1988 with respect to retirement and health benefits provided to Arnold Henson is incorporated herein by reference to Exhibit 10m1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10n1. Resolution of the Board of Directors of Registrant adopted on November 27, 1990 with respect to retirement and health benefits provided to Gilbert L. Klemann, II is incorporated herein by reference to Exhibit 10p1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10o1. Service Agreement dated February 11, 1994 between Gallaher and Peter M. Wilson.*
- 10o2. Letter dated September 20, 1991 from Gallaher in respect of retirement benefits provided to Peter M. Wilson.*
- 10o3. Letter dated March 15, 1994 amending Exhibit 10o2 hereto.*
- 10o4. Service Agreement dated May 15, 1989 between Gallaher and Anthony D. Househam and amendments thereto are incorporated herein by reference to Exhibits 10p1 and 10q2 to the Annual Reports on Form 10-K of Registrant for the Fiscal Years ended December 31, 1989 and 1990, respectively.*
- 10o5. Letter dated September 20, 1991 from Gallaher in respect of retirement benefits provided to Anthony D. Househam is incorporated herein by reference to Exhibit 10q2 to the Annual

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Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*

- 10p1. ACCO World Corporation Supplemental Retirement Plan and amendment thereto is incorporated herein by reference to Exhibit 10r1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10p2. Amendment to the ACCO World Corporation Supplemental Retirement Plan constituting Exhibit 10p1 hereto is incorporated herein by reference to Exhibit 10p2 to the Annual Report on Form 10-K of

- 10q1. Employment Agreement entered into as of June 8, 1987 by and between ACCO International Inc. (a predecessor of ACCO USA, Inc.) and Norman H. Wesley is incorporated herein by reference to Exhibit 10r1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*
- 10r1. Letters dated July 31, 1984 and February 26, 1990 from Registrant with respect to deferred payment of fees to Eugene R. Anderson are incorporated herein by reference to Exhibit 10t1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10s1. Agreement dated January 2, 1991 between Registrant and Gilbert L. Klemann, II is incorporated herein by reference to Exhibit 10s1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10s2. Schedule identifying substantially identical agreements to the Agreement constituting Exhibit 10s1 hereto entered into by Registrant with William J. Alley, Thomas C. Hays, Arnold Henson, Howard C. Humphrey, Robert L. Plancher, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10s3. Agreement dated April 14, 1992 between Franklin and Howard C. Humphrey is incorporated herein by reference to Exhibit 10s3 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10t1. Trust Agreement, made as of the 1st day of February 1989, among Registrant, Chase, et al. establishing a trust in favor of William J. Alley for purposes of paying amounts under the Agreement in the form constituting Exhibit 10s1 hereto is incorporated herein by reference to Exhibit 10gg1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1988.*
- 10t2. Amendment made as of the 1st day of November, 1993 to Trust Agreement constituting Exhibit 10t1 hereto.*
- 10t3. Schedule identifying substantially identical agreements to the Trust Agreement and Amendment thereto constituting Exhibits 10t1 and 10t2 hereto, respectively, in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T.

- 10u1. Agreement dated as of March 1, 1988 and amendments thereto between Registrant and William J. Alley are incorporated herein by reference to Exhibit 10u1 to the Annual Report on Form 10-k of Registrant for the Fiscal Year ended December 31, 1992.*
- 10v1. Agreement dated as of March 1, 1988 and amendments thereto between Registrant and Thomas C. Hays are incorporated herein by reference to Exhibit 10v1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10v2. Schedule identifying substantially identical agreements to the Agreement constituting Exhibit 10v1 hereto entered into by Registrant with Arnold Henson, Robert L. Plancher, John T. Ludes, Robert J. Rukeyser and Steven C. Mendenhall.*
- 10w1. Agreement dated as of January 2, 1991 between Registrant and Gilbert L. Klemann, II and amendment thereto is incorporated herein by reference to Exhibit 10y1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1991.*
- 10w2. Agreement dated as of October 28, 1991 amending the Agreement constituting Exhibit 10w1 hereto is incorporated herein by reference to Exhibit 10w2 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10x1. Agreement dated March 7, 1988 between Registrant and Randall W. Larrimore and amendments thereto is incorporated herein by reference to Exhibit 10x1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10y1. Agreement dated as of February 1, 1990 between American Franklin and Howard C. Humphrey is incorporated herein by reference to Exhibit 10mm1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1989.*
- 10z1. Agreement dated as of February 1, 1990 between Beam and Barry M. Berish is incorporated herein by reference to Exhibit 10pp1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1990.*
- 10aa1. Rights Agreement dated as of December 13, 1987 between Registrant and First Chicago Trust Company of New York, as Rights Agent, and amendments thereto is incorporated herein by reference to Exhibit 10aa1 to the Annual Report on Form 10-K of Registrant for the Fiscal Year ended December 31, 1992.*
- 10bb1. Stock Purchase Agreement dated as of July 20, 1990 among MI Acquisition, Inc., Stanadyne Partners, Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership III ("MBO") and certain individual shareholders of The Moen Group,

2a to the Current Report on Form 8-K of Registrant dated August 29, 1990.

- 10bb2. Escrow Agreement dated as of August 21, 1990 among MI Acquisition, Inc., Stanadyne Partners, MBO and Chemical Bank as successor by merger to Manufacturers Hanover Trust Company is incorporated herein by reference to Exhibit 2b to the Current Report on Form 8-K of Registrant dated August 29, 1990.
- 11. Statement setting forth net income for computation of earnings per Common share, primary and fully diluted, and statement setting forth computation of weighted average number of Common shares outstanding on a fully diluted basis.
- 12. Statement re computation of ratio of earnings to fixed charges.
- 13. 1993 Annual Report to Stockholders of Registrant.
- 22. Subsidiaries of Registrant.
- 23(i)a. Consent of Independent Accountants, Coopers & Lybrand.
- 23(i)b. Consent of Counsel, Chadbourne & Parke.
- 24. Powers of Attorney relating to execution of this Annual Report on Form 10-K.

* Indicates that exhibit is a management contract or compensatory plan or arrangement.

In lieu of filing certain instruments with respect to long-term debt of the kind described in Item 601(b)(4) of Regulation S-K, Registrant agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

(b) Reports on Form 8-K.

Registrant filed a Current Report on Form 8-K, dated October 20, 1993, in respect of Registrant's press release dated October 20, 1993 announcing Registrant's financial results for the three-month and nine-month periods ended September 30, 1993 (Items 5 and 7(c)).

Registrant filed a Current Report on Form 8-K, dated October 21, 1993, in respect of Registrant's press release dated October 21, 1993

announcing the acquisition by The Whyte & Mackay Group PLC, a United Kingdom subsidiary of Registrant's Gallaher Limited subsidiary, of an additional share interest in Invergordon Distillers Group PLC and a mandatory cash offer for the remaining shares of Invergordon (Items 5 and 7(c)).

Registrant filed a Current Report on Form 8-K, dated November 23, 1993, in respect of a settlement reached by Registrant and the remaining defendants in the Forstmann Leff Associates, Inc. et al. v. American Brands, Inc., et al. described in paragraph (c) Item 3 herein (Item 5).

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Registrant filed a Current Report on Form 8-K, dated January 26, 1994, in respect of Registrant's press release dated January 24, 1994 announcing Registrant's financial results for the three-month and twelve-month periods ended December 31, 1993 (Items 5 and 7(c)).

Registrant filed a Current Report on Form 8-K, dated February 22, 1994, in respect of (i) Management's Discussion and Analysis of Results of Operations (1993 compared to 1992 and 1992 compared to 1991) and Financial Review, (ii) Consolidated Statement of Income for the years ended December 31, 1993, 1992 and 1991, (iii) Consolidated Balance Sheet as of December 31, 1993 and 1992, (iv) Consolidated Statement of Cash Flows for the years ended December 31, 1993, 1992 and 1991, (v) Consolidated Statement of Common Stockholders' Equity for the years ended December 31, 1993, 1992 and 1991, (vi) Notes to Consolidated Financial Statements, (vii) Report of Independent Accountants, (viii) Report of Management, (ix) Information on Business Segments and (x) Eleven-Year Consolidated Selected Financial Data of Registrant and consolidated subsidiaries (Items 5 and 7 (c)).

This annual report shall not be construed as a waiver of the right to contest the validity or scope of any or all of the provisions of the Securities Exchange Act of 1934, as amended, under the Constitution of the United States, or the validity of any rule or regulation made or to be made under such Act.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN BRANDS, INC.
(Registrant)

By William J. Alley
William J. Alley
Chairman of the Board and
Chief Executive Officer

Date: March 28, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

William J. Alley
William J. Alley, Chairman of the Board and

Chief Executive Officer (principal executive officer) and Director

Date: March 28, 1994

T.C. Hays

T.C. Hays, President and Chief Operating Officer and Director

Date: March 28, 1994

A. Henson

A. Henson, Executive Vice President and Chief Financial Officer (principal financial officer) and Director

Date: March 28, 1994

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R.L. Plancher*

R.L. Plancher, Senior Vice President and Chief Accounting Officer (principal accounting officer)

Date: March 28, 1994

Howard C. Humphrey*

Howard C. Humphrey, Vice President - Life Insurance and Director

Date: March 28, 1994

Eugene R. Anderson*

Eugene R. Anderson, Director

Date: March 28, 1994

Patricia O. Ewers*
Patricia O. Ewers, Director
Date: March 28, 1994

John W. Johnstone, Jr.*
John W. Johnstone, Jr., Director
Date: March 28, 1994

Wendell J. Kelley*
Wendell J. Kelley, Director
Date: March 28, 1994

Sidney Kirschner*
Sidney Kirschner, Director
Date: March 28, 1994

Gordon R. Lohman*
Gordon R. Lohman, Director
Date: March 28, 1994

Charles H. Pistor, Jr.*
Charles H. Pistor, Jr., Director
Date: March 28, 1994

Peter M. Wilson*
Peter M. Wilson, Director
Date: March 28, 1994

*By A. Robert Colby
A. Robert Colby, Attorney-in-Fact

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Schedules other than those listed above are omitted as the information is either not applicable, not required or has been furnished in the financial statements or notes thereto incorporated by reference in Item 8 hereof.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Stockholders of
American Brands, Inc.:

Our report on the consolidated financial statements of American Brands, Inc. and Subsidiaries has been incorporated by reference in this Form 10-K from the 1993 Annual Report to Stockholders of American Brands, Inc. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page F-1 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND

1301 Avenue of the Americas
New York, New York
February 1, 1994

AMERICAN BRANDS, INC. (PARENT COMPANY)
 SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 BALANCE SHEET
 (In millions)

	December 31,	
	1993	1992
	----	----
Assets		
Current assets		
Receivables from affiliated companies	\$ 565.8	\$ 568.0
Other current assets	51.4	59.6
	-----	-----
Total current assets	617.2	627.6
	-----	-----
Investment in subsidiaries	3,566.5	3,704.6
Long-term receivables from affiliated companies	3,724.8	3,291.3
Other assets	141.2	174.9
	-----	-----
Total assets	\$8,049.7	\$7,798.4
	=====	=====
Liabilities and stockholders' equity		
Current liabilities		
Commercial paper	\$ 711.3	\$ 433.4
Payables to affiliated companies	113.2	145.8
Other current liabilities	265.9	338.6
Current portion of long-term debt	156.5	133.6
	-----	-----
Total current liabilities	1,246.9	1,051.4
Long-term debt	2,438.4	2,360.5
Postretirement and other liabilities	93.0	84.9
	-----	-----
Total liabilities	3,778.3	3,496.8
	-----	-----
Convertible preferred stock - redeemable at Company's option	17.1	19.1
	-----	-----

Common stockholders' equity	4,254.3	4,282.5
	-----	-----
Total liabilities and stockholders' equity	\$8,049.7	\$7,798.4
	=====	=====

The "Notes to Consolidated Financial Statements of American Brands, Inc. and Subsidiaries" contained in the 1993 Annual Report to Stockholders of Registrant are an integral part of these statements.

See accompanying "Notes to Condensed Financial Information of Registrant."

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AMERICAN BRANDS, INC. (PARENT COMPANY)
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF INCOME
(In millions)

	For the Years Ended December 31,		
	----- 1993 ----	----- 1992 ----	----- 1991 ----
Interest from affiliates	\$332.6	\$357.8	\$341.9
Expenses:			
Corporate administrative expenses	78.1	80.7	134.5
Interest: affiliates	12.9	8.2	17.6
non-affiliates	220.3	238.3	240.0
Other expenses, net	12.9	12.1	12.5
	-----	-----	-----
Total expenses	324.2	339.3	404.6
	-----	-----	-----
Income (loss) before income tax benefit, equity in net income of subsidiaries and cumulative effect of accounting changes	8.4	18.5	(62.7)
Income tax benefit	1.4	9.4	50.6
	-----	-----	-----
Income (loss) before equity in net income of			

subsidiaries and cumulative effect of accounting changes	9.8	27.9	(12.1)
Equity in net income of subsidiaries	469.7	855.9	818.2
	-----	-----	-----
Income before cumulative effect of accounting changes	479.5	883.8	806.1
Cumulative effect of accounting changes (net of income taxes of \$7.4)	(9.7)	-	-
	-----	-----	-----
Net income		\$469.8	\$883.8
\$806.1	=====	=====	=====

The "Notes to Consolidated Financial Statements of American Brands, Inc. and Subsidiaries" contained in the 1993 Annual Report to Stockholders of Registrant are an integral part of these statements.

See accompanying "Notes to Condensed Financial Information of Registrant."

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AMERICAN BRANDS, INC. (PARENT COMPANY)
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS
(In millions)

	For the Years Ended December 31,		
	----- 1993 ----	----- 1992 ----	----- 1991 ----
Net cash provided from operating activities	\$663.5	\$ 680.2	\$ 712.4
Investing activities			
Additional investment in subsidiary	-	(1.8)	-
Other, net	4.4	(4.0)	(4.5)
	-----	-----	-----
Net cash provided (used) by investing activities	4.4	(5.8)	(4.5)
	-----	-----	-----
Financing activities			
Increase (decrease) in short-term debt	278.0	261.6	(484.1)
Issuance of long-term debt	473.0	351.4	1,155.4

Repayment of long-term debt	(364.7)	(672.6)	(512.3)
Dividends to stockholders	(399.1)	(377.8)	(337.6)
Cash purchases of Common stock for treasury	(57.9)	(100.4)	(106.7)
Change in intercompany balances, net	(592.3)	(14.2)	(427.8)
Redemption and purchases of \$2.75 Preferred stock	-	(134.4)	(1.8)
Other financing activities, net	(4.9)	12.0	6.3
	-----	-----	-----
Net cash used by financing activities	(667.9)	(674.4)	(708.6)
	-----	-----	-----
Net decrease in cash and cash equivalents	\$ -	\$ -	\$ (0.7)
	=====	=====	=====
Cash and cash equivalents at Beginning of year	\$ -	\$ -	\$ 0.7
End of year	\$ -	\$ -	\$ -
	=====	=====	=====
Cash paid during the year for Interest	\$220.2	\$ 233.6	\$ 218.4
	=====	=====	=====
Income taxes	\$238.5	\$ 280.8	\$ 223.0
	=====	=====	=====

The "Notes to Consolidated Financial Statements of American Brands, Inc. and Subsidiaries" contained in the 1993 Annual Report to Stockholders of Registrant are an integral part of these statements.

See accompanying "Notes to Condensed Financial Information of Registrant."

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NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

1. Basis of Presentation

Pursuant to the rules and regulations of the Securities and Exchange Commission, the Condensed Financial Statements of the Registrant do not include all of the information and notes normally included with financial statements prepared in accordance with generally accepted accounting principles. Therefore, these Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Annual Report to Stockholders of Registrant as referenced in Form 10-K, Part II, Item 8.

Certain 1992 balance sheet amounts have been reclassified to conform to the 1993 presentation.

2.Accounting Changes

On January 1, 1993, Registrant adopted FAS Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension" and FAS No. 112, "Employers' Accounting for Postemployment Benefits." The initial effects of adopting these statements were recorded as cumulative changes in accounting principles.

3.Investment in Subsidiaries

During 1993, \$134.8 million of intercompany debt was contributed to the capital of a subsidiary by Registrant.

4.Cash Dividends from Subsidiaries

Dividends of \$679.8 million in 1993, \$648.1 million in 1992 and \$681.5 million in 1991 were paid to Registrant by its subsidiaries.

5.Debt

The components of long-term debt are as follows (In millions):

	1993	1992
	----	----
Notes payable	\$ 300.0	\$ 200.0
Revolving credit notes	195.8	203.2
Other notes	356.5	376.5
5 3/4% Eurodollar Convertible Debentures, Due 2005	200.0	200.0
7 5/8% Eurodollar Convertible Debentures, Due 2001	150.0	150.0
Other Eurodollar Convertible Debentures	41.0	43.4
8 1/2% Notes, Due 2003	200.0	200.0
5 1/4% Notes, Due 1995	200.0	200.0
8 5/8% Debentures, Due 2021	150.0	150.0
9 1/8% Debentures, Due 2016	150.0	150.0
7 7/8% Debentures, Due 2023	150.0	-
7 1/2% Notes, Due 1999	150.0	150.0
9 3/4% Eurosterling Notes, Due 1993	-	113.6
9% Notes, Due 1999	100.0	100.0
9 1/2% Eurosterling Notes, Due 1994	74.0	75.7
9 1/4% Eurosterling Notes, Due 1998	74.0	75.7
12% Eurosterling Notes, Due 1995	59.2	60.6
12 1/2% Sterling Loan Stock, Due 2009	44.4	45.4
	-----	-----
	2,594.9	2,494.1
Less current portion	156.5	133.6
	-----	-----
	\$2,438.4	\$2,360.5
	=====	=====

Estimated payments for maturing long-term debt requirements during the next five years, assuming one-time put options are not exercised, are as follows: 1994, \$156.5 million; 1995, \$777.7 million; 1996, \$101 million; 1997, \$53.8 million; and 1998, \$168.5 million.

At December 31, 1993, the Registrant guaranteed short-term committed credit facilities of a UK-based subsidiary which provided for unsecured borrowings of up to \$444 million, of which \$44 million was outstanding.

AMERICAN BRANDS, INC. AND SUBSIDIARIES
 SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
 For the Years Ended December 31, 1993, 1992 and 1991
 (In millions)

Col. A ----- Description	Col. B ----- Balance at Beginning of Period	Col. C ----- Additions ----- Charged to Costs and Expenses	Col. D ----- Deductions	Col. E ----- Balance at End of Period
1993:				
Allowance for cash discounts	\$ 7.9	\$ 87.3	\$ 88.9 (1)	\$ 6.3
Allowance for returns	17.3	150.6	146.0 (1)	21.9
Allowance for doubtful accounts	34.8	11.7	11.7 (3) 0.5 (2)	34.3
	----- \$60.0 =====	----- \$249.6 =====	----- \$247.1 =====	----- \$62.5 =====
1992:				
Allowance for cash discounts	\$ 7.5	\$ 88.6	\$ 88.2 (1)	\$ 7.9
Allowance for returns	9.3	114.3	106.0 (1) 0.3 (2)	17.3
Allowance for doubtful accounts	39.3	11.9	13.1 (3) 3.3 (2)	34.8
	----- \$56.1 =====	----- \$214.8 =====	----- \$210.9 =====	----- \$60.0 =====
1991:				
Allowance for cash discounts	\$ 6.5	\$ 84.8	\$ 83.8 (1)	\$ 7.5
Allowance for returns	10.8	114.4	115.7 (1) 0.2 (2)	9.3
Allowance for				

doubtful accounts	37.8	8.8	6.6(3)	39.3
			0.7(2)	
	-----	-----	-----	-----
	\$55.1	\$208.0	\$207.0	\$56.1
	=====	=====	=====	=====

-
- (1) Cash discounts and returns allowed customers.
(2) Effect of changes in foreign exchange rates.
(3) Doubtful accounts written off, net of recoveries.

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AMERICAN BRANDS, INC. AND SUBSIDIARIES
SCHEDULE IX - SHORT-TERM BORROWINGS

For the Years Ended December 31, 1993, 1992 and 1991
(In millions)

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
-----	-----	-----	-----	-----	-----
Category of	Balance	Weighted	Maximum	Average	Weighted
Aggregate	at	Average	Amount	Amount	Average
Short-term	End of	Interest	Outstanding	Outstanding	Interest
Borrowings (1)	Period	Rate at	During the	During the	Rate
		End of	Period	Period (2)	During the
		Period			Period (3)

1993:

Notes payable to banks	\$298.9	5.8%	\$424.9	\$270.7	6.7%
Commercial paper	711.3	3.4	711.3	427.1	3.4

1992:

Notes payable to banks	\$247.1	8.1%	\$302.0	\$194.6	10.0%
Commercial paper	433.4	3.6	673.4	391.0	4.1

1991:

Notes payable to banks	\$131.0	10.2%	\$217.6	\$128.6	12.1%
Commercial paper	271.8	5.3	770.5	449.7	6.9

-
- (1) Notes payable to banks represents borrowings in various currencies primarily under credit agreements with banks. Commercial paper represents paper sold by American Brands, Inc.
 - (2) Calculated on month-end outstanding balances during the year.
 - (3) Average amount outstanding during the year divided into actual interest expense incurred.

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AMERICAN BRANDS, INC. AND SUBSIDIARIES

SCHEDULE X-SUPPLEMENTARY INCOME STATEMENT INFORMATION

For the Years Ended December 31, 1993, 1992 and 1991
(In millions)

Col. A -----	Col. B -----
Item (1)	Charged to Costs and Expenses

1993:	
5. Advertising costs	\$510.2
1992:	
5. Advertising costs	\$551.0
1991:	
5. Advertising costs	\$519.1

-
- (1) The items not listed either do not exceed one percent of revenues or are set forth in the financial statements or notes thereto incorporated by reference in Item 8 hereof.

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EXHIBIT INDEX

- 10c1. Amended Supplemental Retirement Plan of American Brands, Inc.*
- 10c3. Amendment made as of the 1st day of November, 1993 to Trust Agreement constituting Exhibit 10c2 hereto.*
- 10c4. Schedule identifying substantially identical agreements to the Trust Agreement and Amendment thereto constituting Exhibits 10c2 and 10c3 hereto, respectively, in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10c5. Trust Agreement, made as of the 1st day of November, 1993, among William J. Alley, Registrant and Chase establishing a grantor trust in favor of William J. Alley for purposes of paying amounts under the Amended Supplemental Retirement Plan constituting

Exhibit 10c1 hereto.*

- 10c6. Schedule identifying substantially identical agreements to the Trust Agreement constituting Exhibit 10c5 hereto in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10f1. The Franklin Life Insurance Company Supplemental Retirement Plan effective January 1, 1988 as amended and restated effective January 1, 1993.*
- 10f3. Trust Agreement, made as of the 16th day of December, 1993, among Howard C. Humphrey, The Franklin Life Insurance Company and Bank One, Springfield (State Association) establishing a grantor trust in favor of Howard C. Humphrey for purposes of paying amounts under the Supplemental Retirement Plan constituting Exhibit 10f1 hereto.*
- 10g4. Trust Deed dated January 24, 1994 further amending Exhibit 10g2 hereto.*
- 10k2. Jim Beam Brands Co. Amended Excess Benefit Plan.*
- 10k4. Amendment made as of the 17th day of November, 1993 to Trust Agreement constituting Exhibit 10k3 hereto.*
- 10k5. Trust Agreement, made as of the 15th day of December, 1993, among Barry M. Berish, Beam and Chase establishing a grantor trust in favor of Barry M. Berish for purposes of paying amounts under the Amended Excess Benefit Plan constituting Exhibit 10k2 hereto.*
- 10o1. Service Agreement dated February 11, 1994 between Gallaher and Peter M. Wilson.*
- 10o2. Letter dated September 20, 1991 from Gallaher in respect of retirement benefits provided to Peter M. Wilson.*
- 10o3. Letter dated March 15, 1994 amending Exhibit 10o2 hereto.*
- 10s2. Schedule identifying substantially identical agreements to the Agreement constituting Exhibit 10s1 hereto entered into by Registrant with William J. Alley, Thomas C. Hays, Arnold Henson, Howard C. Humphrey, Robert L. Plancher, John T. Ludes, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*
- 10t2. Amendment made as of the 1st day of November, 1993 to Trust Agreement constituting Exhibit 10t1 hereto.*
- 10t3. Schedule identifying substantially identical agreements to the

Trust Agreement and Amendment thereto constituting Exhibits 10t1 and 10t2 hereto, respectively, in favor of Thomas C. Hays, Arnold Henson, Robert L. Plancher, Gilbert L. Klemann, II, John T. Ludes, Howard C. Humphrey, Robert J. Rukeyser, Randall W. Larrimore and Steven C. Mendenhall.*

- 10v2. Schedule identifying substantially identical agreements to the Agreement constituting Exhibit 10v1 hereto entered into by Registrant with Arnold Henson, Robert L. Plancher, John T. Ludes, Robert J. Rukeyser and Steven C. Mendenhall.*
- 11. Statement setting forth net income for computation of earnings per Common share, primary and fully diluted, and statement setting forth computation of weighted average number of Common shares outstanding on a fully diluted basis.
- 12. Statement re computation of ratio of earnings to fixed charges.
- 13. 1993 Annual Report to Stockholders of Registrant.
- 22. Subsidiaries of Registrant.
- 23(i)a. Consent of Independent Accountants, Coopers & Lybrand.
- 23(i)b. Consent of Counsel, Chadbourne & Parke.
- 24. Powers of Attorney relating to execution of this Annual Report on Form 10-K.

* Indicates that exhibit is a management contract or compensatory plan or arrangement.

AMERICAN BRANDS, INC.

AMENDED SUPPLEMENTAL RETIREMENT PLAN

Section 1. PURPOSE. This Plan is an amendment and restatement, effective as of January 1, 1987, by American Brands, Inc. (the "Company") of its Supplemental Retirement Plan. The Supplemental Retirement Plan is established in order to induce employees of outstanding ability to join or continue in the employ of the Company and to increase their efforts for its welfare by providing them with supplemental retirement and profit-sharing benefits notwithstanding the limitations imposed by the Internal Revenue Code on retirement and profit-sharing benefits from tax qualified plans.

Section 2. DEFINITIONS. As used in this Plan, the following words shall have the following meanings:

(a) "Actual Earnings" means all earnings of an employee in any Plan Year for Qualifying Employment including tax deferred contributions elected by the employee under the Profit-Sharing Plan or as contributions under a plan established pursuant to Section 125 of the Internal Revenue Code and all compensation under Article XII of the By-laws of the Company and the Company's Management Incentive Plan paid during such Plan Year, but excluding (i) Worker's Compensation, (ii) amounts paid by the Company for insurance, retirement or other benefits and (iii) contributions to or allocations under the Retirement Plan, the Profit-Sharing Plan, this Plan or other benefits, including the special bonus paid to Profit-Sharing Plan members in 1990 and other bonuses paid after 1992 except under the aforesaid Article XII and Management Incentive Plan. The Actual Earnings of an employee covered under a disability income plan of the Company shall be deemed to continue as provided in the Retirement Plan.

(b) "Affiliated Employment" means employment by any corporation which, at the time of such employment, is or was an affiliate of the Company or the Prior Company, or thereafter becomes or became an affiliate of the Company or the Prior Company. "Affiliated Plan" means a defined benefit pension plan by which an employee of the Company had been covered during Affiliated Employment.

(c) "Allocation" means the sum of the Company contribution, tax deferred contribution elected by a Profit-Sharing Plan member and the related matching contribution allocated to the accounts of a Profit-Sharing Plan member under the Profit-Sharing Plan for a Plan Year, but shall not include any tax deferred contribution to the Profit-Sharing Plan elected by a Profit-Sharing Plan member for any Plan Year in excess of \$7,000 (or such

greater amount permitted for such Plan Year in accordance with regulations promulgated by the Secretary of the Treasury or his delegate with respect to arrangements qualified under Section 401(k) of the Internal Revenue Code).

(d) "Average Actual Earnings" means the total Actual Earnings of an employee in the five consecutive Plan Years of Qualifying Employment that provide the highest aggregate of Actual Earnings, divided by five. If an employee's consecutive Plan Years of Qualifying Employment within such period are less than five, "Average Actual Earnings" means his total Actual Earnings during the five Plan Years (or fewer) of Qualifying Employment that provide the highest aggregate of Actual Earnings, divided by the number of such Plan Years of Qualifying Employment and fractions thereof.

(e) "Committee" means the Corporate Employee Benefits Committee of the Company.

(f) "Company" means American Brands, Inc., a Delaware corporation, its successors and assigns. "Prior Company" means American Brands, Inc., a New Jersey corporation organized under an Agreement of Consolidation in 1904.

(g) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(h) "Executive Participant" means an employee of the Company who is within the category of a select group of management or highly compensated employees as referred to in Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA and who either holds or held the office of a Vice President of the Company or any office senior thereto or, during the current Plan Year or the prior Plan Year, was covered under Article XII of the Company's By-laws or the Company's Management Incentive Plan or any successor programs.

(i) "415 Limitations" means the Retirement Plan and Profit-Sharing Plan provisions adopted pursuant to Section 415 of the Internal Revenue Code to limit (i) annual Retirement Plan benefits pursuant to Section 415(b) thereof, (ii) annual additions to the Profit-Sharing Plan pursuant to Section 415(c) thereof and (iii) the aggregate of annual Retirement Plan benefits and additions to the Profit-Sharing Plan pursuant to Section 415(e) thereof.

(j) "401(a)(17) Limitations" means the Retirement Plan and Profit-Sharing Plan provisions adopted pursuant to Section 401(a)(17) of the Internal Revenue Code to limit compensation considered for purposes of computing Retirement Plan benefits and Profit-Sharing Plan contributions to \$200,000 (or such greater amount permitted for such year in accordance with regulations promulgated by the Secretary of the Treasury or his delegate).

(k) "404(l) Limitation" means the limitation imposed by Section 404(l) of the Internal Revenue Code on the maximum tax deductible contribution to the Profit-Sharing Plan.

(l) "Grantor Trust" means a trust for the benefit of an Executive Participant established pursuant to Section 6 to provide for the payment of benefits under this Plan.

(m) "Highly Compensated Employee" means an employee or former employee of the Company who comes within the definition of a highly compensated employee set forth in Section 414(q) of the Internal Revenue Code (or any successor provision) for any Plan Year.

(n) "Normal Retirement Date" means the last day of the calendar month in which a person's 65th birthday occurs.

(o) "Qualifying Employment" means the sum of Service and Affiliated Employment.

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(p) "Plan Year" means the calendar year.

(q) "Profit-Sharing Plan" means the Profit-Sharing Plan of American Brands, Inc., as amended from time to time.

(r) "Retirement Plan" means the Retirement Plan for Employees and Former Employees of American Brands, Inc., as amended from time to time.

(s) "Segregated Account" means an account established with a bank or other financial institution approved by the Company, or other form of segregated account approved by the Company, established pursuant to Section 6 by or for the benefit of an Executive Participant to provide for the payment of benefits under this Plan.

(t) "Service" means employment by the Company or the Prior Company.

(u) "Surviving Spouse" means the surviving husband or wife of an employee of the Company who has been married to the employee throughout the one-year period ending on the date of the death of such employee.

Section 3. SUPPLEMENTAL RETIREMENT BENEFITS.

(a) Each person who was at any time a Highly Compensated Employee but not an Executive Participant and to whom benefits become payable under the Retirement Plan shall be paid a supplemental annual retirement benefit under this Plan equal in amount to the difference between (i) the benefit paid under the Retirement Plan and the Affiliated

Plans and (ii) the benefit that would be payable if the 415 Limitations were not contained therein; provided, however, that for purposes of computing the amount of benefit under this Plan, years of Qualifying Employment shall not exceed 35. If such a Highly Compensated Employee's Surviving Spouse is entitled to a pre-retirement spouse's benefit under the Retirement Plan, the Surviving Spouse shall be paid a benefit hereunder equal to the difference between (i) the spouse's benefit payable under the Retirement Plan and the Affiliated Plans and (ii) the spouse's benefit that would be payable if the 415 Limitations were not contained therein.

(b) Each person who was at any time an Executive Participant and to whom benefits become payable under the Retirement Plan shall be paid a supplemental annual retirement benefit under this Plan equal in amount to the difference between (i) the benefit paid under the Retirement Plan and the Affiliated Plans and (ii) the benefit that would be payable if the 401(a)(17) Limitations and the 415 Limitations were not contained therein; provided, however, that for purposes of computing the amount of benefit under this Plan, years of Qualifying Employment shall not exceed 35. If such an Executive Participant's Surviving Spouse is entitled to a pre-retirement spouse's benefit under the Retirement Plan and subject to Section 6, the Surviving Spouse shall be paid a benefit hereunder equal to the difference between (i) the spouse's benefit payable under the Retirement Plan and the Affiliated Plans and (ii) the spouse's benefit that would be payable if the 401(a)(17) Limitations and the 415 Limitations were not contained therein.

(c) Each Executive Participant who at any time held the office of Vice President of the Company, or any office senior thereto, shall retire hereunder at the date of his termination of employment and be paid a supplemental annual retirement benefit under this Plan equal to 52 1/2% of the Executive Participant's Average Actual Earnings reduced (i) for an Executive Participant who retires prior to Normal Retirement Date with less than 35 years of Qualifying Employment by 1 1/2% of Average Actual Earnings for each year and fraction thereof that the Executive Participant's retirement date precedes Normal Retirement Date and further reduced (ii) by benefits payable under the Retirement Plan, the Affiliated Plans and the defined benefit pension plans of any other prior employer and supplemental retirement benefits payable under paragraphs (a) and (b) of this Section 3. If a pre-retirement spouse's benefit is payable under the Retirement Plan to the Surviving Spouse of an Executive Participant who at any time before death held the office of Vice President of the Company, or any office senior thereto, or if an Executive Participant who held such office dies before supplemental retirement benefits commence with a Surviving Spouse eligible for a spouse's benefit under the Retirement Plan, the Surviving Spouse shall be paid a benefit hereunder, subject to Section 6, equal to the difference between (i) the spouse's benefit payable under the

Retirement Plan and the Affiliated Plans and (ii) the spouse's benefit that would have been payable if the Participant's benefit had been calculated in accordance with the formula set forth in the first sentence of this paragraph (c) of this Section 3 (prior to any reduction for calculating the spouse's benefit).

(d) Subject to Section 6, the supplemental retirement benefits provided by this Plan shall be paid to the Executive Participant or Highly Compensated Employee (or to any beneficiary designated by him in accordance with the Retirement Plan, or to his Surviving Spouse if eligible for a spouse's benefit under the Retirement Plan) concurrently with the payment of the benefits payable under the Retirement Plan and in a form permitted thereby. In the event the supplemental retirement benefit commences prior to Normal Retirement Date or is payable in a form other than an annuity for the life of the former employee only, the supplemental retirement benefit shall be adjusted to the same extent as under the Retirement Plan. The Committee may, however, direct that the supplemental retirement benefit payable with respect to a former employee be paid as an actuarially equivalent single sum payment, provided that (except for a distribution to pay taxes as provided in Section 5 and except as provided in Section 6) no such payment may be made prior to termination of Qualifying Employment or prior to the date that benefits may become payable under the Retirement Plan. In determining actuarial equivalency of a single sum payment in cash, there shall be used 120% of the applicable monthly immediate annuity purchase interest rate which would be used by the Pension Benefit Guaranty Corporation for the purpose of determining the present value of a single sum distribution on plan termination and the mortality table used at the time under the Retirement Plan for funding purposes.

Section 4. SUPPLEMENTAL PROFIT-SHARING BENEFITS.

(a) In the event that the Allocation under the Profit-Sharing Plan is limited by the 415 Limitations for 1987 or any subsequent Plan Year for a Highly Compensated Employee who is not an Executive Participant, the Highly Compensated Employee shall receive a supplemental profit-sharing award under this Plan for such Plan Year equal to the difference between

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(i) the Allocation actually made for the Highly Compensated Employee to the Profit-Sharing Plan for such Plan Year and (ii) the Allocation that would have been made to the Profit-Sharing Plan for such Plan Year if the 415 Limitations were not contained therein.

(b) In the event that the Allocation under the Profit-Sharing Plan is limited by the 401(a)(17) Limitations and the 415 Limitations for 1987 or any subsequent Plan Year for an Executive Participant, the Executive Participant shall receive a supplemental profit-sharing award under this Plan for such Plan Year equal to the difference between (i) the Allocation actually made to the Executive Participant and (ii) the

Allocation that would have been made to the Profit-Sharing Plan for such Plan Year if the 401(a)(17) Limitations and the 415 Limitations were not contained therein. In addition, in the event the contribution to the Profit-Sharing Plan for any Plan Year is limited by the 404(l) Limitation, each Executive Participant shall receive a supplemental profit-sharing award under this Plan for such Plan Year equal to the difference between (i) the Allocation actually made to the Executive Participant and (ii) the Allocation that would have been made to the Profit-Sharing Plan for such Plan Year for such Executive Participant if the contribution to the Profit-Sharing Plan was not limited by the 404(l) Limitation.

(c) Except as provided in Section 6, the award for any Plan Year shall be made as of the first day of the following year and shall be deemed to be thereafter invested in an interest bearing investment selected by the Trusts Investment Committee (or successor committee) of the Company. The amount of a Highly Compensated Employee's or Executive Participant's supplemental profit-sharing benefits under this Plan shall be the aggregate amount of such awards together with any deemed investment gain thereon and less any deemed investment loss.

(d) Supplemental profit-sharing awards and deemed investment gain thereon shall be fully vested and nonforfeitable.

(e) Supplemental profit-sharing plan benefits shall be paid by a single sum payment as soon as practicable following termination of Qualifying Employment, subject to Section 6.

(f) Subject to Section 6, a Highly Compensated Employee or Executive Participant may designate a beneficiary to receive the unpaid portion of his supplemental profit-sharing benefits in the event of his death. The designation shall be made in a writing filed with the Committee on a form approved by it signed by the Highly Compensated Employee or Executive Participant. If no effective designation of beneficiary shall be on file with the Committee when supplemental profit-sharing benefits would otherwise be distributable to a beneficiary, then such benefits shall be distributed to the spouse of the Highly Compensated Employee or Executive Participant or, if there is no spouse, to the executor of the will or the administrator of his estate or, if no such executor or administrator shall be appointed within six months after his death, the Committee shall direct that distribution be made, in such shares as the Committee shall determine, to the child, parent or other blood relative of such Highly Compensated Employee or Executive Participant or to such other person or persons as the Committee may determine.

Section 5. FUNDING. Benefits under this Plan shall not initially be funded in order that the Plan may be exempt from the

provisions of Parts 2, 3 and 4 of Title I of ERISA. The Committee shall maintain records of supplemental profit-sharing awards and the assumed investment thereof and records for the calculation of supplemental retirement benefits. The Company may, however, segregate assets which are intended to be a source for payment of benefits hereunder for Executive Participants. In the event benefits are hereafter determined to be taxable for Executive Participants prior to actual receipt thereof and subject to Section 6, a payment shall be made to such Executive Participants in an amount sufficient to pay such taxes notwithstanding that the Executive Participant may not then have terminated Qualifying Employment or that the payment is being made prior to the date that benefits would otherwise be paid under the Retirement Plan. Amounts so paid shall then be used as an offset to the supplemental retirement and profit-sharing benefits, if any, thereafter payable which shall also be paid in an actuarially equivalent lump sum (calculated as set forth in Section 3(d)) promptly upon the later of termination of Qualifying Employment or attainment of age 55.

Section 6. GRANTOR TRUSTS AND SEGREGATED ACCOUNTS.

Notwithstanding Section 5 of this Plan, the Company may provide for the establishment of Grantor Trusts and Segregated Accounts by or for the benefit of individual Executive Participants to provide for the payment of benefits under this Plan, consistent with the following provisions:

(a) The Trustee of the Grantor Trusts shall be a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion. Each Grantor Trust shall be established pursuant to a trust agreement having terms and provisions approved by the Company and consistent with this Section. The Grantor Trust shall be solely for the purpose of providing benefits under the Plan with respect to the Executive Participant, and neither the Company nor any creditors of the Company shall have any interest in the assets of the Grantor Trust. The Company shall be the administrator of the Grantor Trust, and shall have such powers as are granted by the trust agreement.

(b) The Company shall pay the fees and expenses of the Trustee and all the expenses for the management and administration of each Grantor Trust and Segregated Account for all periods prior to the Executive Participant's termination of employment, and for a period of sixty (60) days thereafter and for any further period as may be authorized by the Company, and shall indemnify the Executive Participant against any liability or cost in respect thereof, including any tax liabilities or costs.

(c) Each Segregated Account shall be a savings or other type of account approved by the Company established with a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion, or other form of segregated account with such a bank or trust company or other financial

institution approved by the Company, in each case with such terms and provisions as are approved by the Company and consistent with this Section.

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(d) The Company may from time to time make contributions to either the Grantor Trust, or Segregated Account if directed by an Executive Participant, in amounts which when added to the existing balances in the Executive Participant's Grantor Trust and Segregated Account will be approximately equal to the present value of the after tax equivalent of the Executive Participant's accrued benefits under Sections 3 and 4.

(e) Unless the Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as provided in paragraph (l) of this Section 6, as promptly as practicable after the Executive Participant's termination of employment, whether by retirement, death or otherwise, the Company may make a final contribution to the Executive Participant's Grantor Trust, or Segregated Account if directed by the Executive Participant, in an amount which when added to the existing balances in the Executive Participant's Grantor Trust and Segregated Account, except for any balances which are attributable to amounts deemed withdrawn previously and the income earned thereon, will be equal to (i) the sum of the present value of the after tax equivalent of (A) if the termination of employment is not by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3, or if the termination of employment is by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3 immediately prior to his death and (B) the Executive Participant's supplemental profit-sharing benefit under Section 4, offset by (ii) any amounts previously actually withdrawn by the Executive Participant from his Grantor Trust or Segregated Account and income which would have been earned thereon, calculated as provided in paragraph (k) of this Section 6. If prior to the Executive Participant's termination of employment his Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as promptly as practicable following such termination of employment the Company may make a final payment to the Executive Participant, or in the event of the death of the Executive Participant his personal representative, in an amount equal to (i) the sum of the present value of the after tax equivalent of (A) if the termination of employment is not by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3, or if the termination of employment is by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3 immediately prior to his death and (B) the Executive Participant's supplemental profit-sharing benefit under Section 4, offset by (ii) the amounts previously withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust and Segregated Account and income which would have been earned thereon,

calculated as provided in paragraph (k) of this Section 6.

(f) Amounts in a Grantor Trust or Segregated Account shall be invested separately as to amounts representing the Executive Participant's supplemental retirement benefit under Section 3 and the Executive Participant's supplemental profit-sharing benefit under Section 4. Supplemental retirement benefit amounts invested in a Grantor Trust shall be invested solely in the Chase Manhattan Fixed Income Fund to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. Supplemental profit-sharing benefit amounts invested in a Grantor Trust shall be invested in one or more of (i) the Vista U.S. Government Income Fund, (ii) the Vista Balanced Fund, (iii) the Chase Manhattan

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Personal Trust Market Rate Account or (iv) the Chase Manhattan Equity Income Fund, in such portions as are elected by the Executive Participant on a written election form approved by and filed with the Committee, all to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. The Executive Participant may change such election at any time by filing a new written election form with the Committee. The Committee shall promptly notify the Trustee as to any such elections or changes therein. Supplemental retirement benefit amounts and supplemental profit-sharing benefit amounts invested in a Segregated Account shall be invested solely in the Chase Manhattan Personal Trust Market Rate Account. In lieu of the calculation of investment gain or loss on supplemental profit-sharing awards prescribed by Section 4(c), an Executive Participant's profit-sharing benefit under Section 4 shall include the actual investment gain or loss on supplemental profit-sharing benefit amounts invested in accordance with this paragraph (f) (and not deemed withdrawn pursuant to paragraph (j) of this Section 6).

(g) The Executive Participant may designate a beneficiary to receive amounts held in his Grantor Trust in the event of his death. The designation shall be made in a writing filed with the Committee on a form approved by it and signed by the Executive Participant. The Committee shall notify the Trustee as to any such designation or changes therein. The provisions of Section 3(b), (c) and (d) and Section 4(f), providing for the payment of benefits to the Surviving Spouse of the Executive Participant, or other person designated by the Executive Participant or the Committee, in the event of the death of the Executive Participant, shall not apply to amounts in the Executive Participant's Grantor Trust or Segregated Account.

(h) The Company shall make payments to the Executive Participant (or his beneficiary) from time to time in the approximate amounts required to compensate the Executive Participant (or his beneficiary) for additional federal, state and local taxes on income resulting from the inclusion in the Executive Participant's or beneficiary's taxable income of contributions to the Executive Participant's Grantor Trust and Segregated

Account, the final payment pursuant to paragraph (e) of this Section 6 if the Grantor Trust has been terminated prior to the Executive Participant's termination of employment, and the income of the Grantor Trust and Segregated Account for periods prior to termination of employment (including amounts paid by the Company pursuant to paragraphs (b) and (e)) of this Section 6.

(i) An Executive Participant may elect to transfer all or any portion of the funds in his Grantor Trust to his Segregated Account, or to transfer all or any portion of the funds in his Segregated Account to his Grantor Trust, upon written notice of not less than sixty (60) days to the Company and the Trustee and the financial institution with which the Segregated Account is established.

(j) An Executive Participant may withdraw all or any portion of the funds in his Grantor Trust or Segregated Account at any time upon not less than sixty (60) days written notice to the Company and to the Trustee, or the financial institution with which the Segregated Account is established, as the case may be. In the event of any such withdrawal, subject to the last sentence of this paragraph (j), (i) for purposes of paragraphs (e), (f), (h), (k) and (l) of this Section 6 the Executive

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Participant shall be deemed to have made a complete withdrawal of the funds in his Grantor Trust and Segregated Account at such time, (ii) no further contributions shall be made thereafter by the Company to the Executive Participant's Grantor Trust or Segregated Account until the time of the Executive Participant's termination of employment, at which time the final contribution or payment described in paragraph (e) of this Section 6 may be made by the Company, and (iii) no further payments pursuant to paragraph (h) of this Section 6 shall be made with respect to income of the Grantor Trust or Segregated Account. The Compensation and Stock Option Committee of the Company may determine, however, that, on the basis of hardship, (A) the Executive Participant shall not be deemed to have withdrawn any amounts not actually withdrawn, and payments pursuant to paragraph (h) of this Section 6 shall continue to be made with respect to income of the Executive Participant's Grantor Trust or Segregated Account on amounts so determined not deemed to have been withdrawn, and also may determine (independently of any determination pursuant to clause (A) of this sentence) that (B) notwithstanding such withdrawal, contributions by the Company to the Executive Participant's Grantor Trust or Segregated Account shall continue to be made thereafter, as provided in paragraph (e) of this Section 6, until the time of the Executive Participant's termination of employment.

(k) Benefits payable to an Executive Participant or Surviving Spouse or other beneficiary under Sections 3 and 4 shall be offset by the pre-tax equivalent of amounts in the Executive Participant's Grantor Trust and Segregated Account at the time of the Executive Participant's termination of employment (except for any amounts which are attributable to

amounts deemed withdrawn previously pursuant to paragraph (j) of this Section 6 and the income earned thereon), including any final contribution or payment pursuant to paragraph (e) of this Section 6, and by the present value of the pre-tax equivalent of any amounts withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust or Segregated Account, plus the amounts of income which would have been earned on such withdrawn amounts from the time of withdrawal until the time of termination of employment, calculated by applying an earnings rate equal to the after tax equivalent of 120% of the applicable monthly immediate annuity purchase interest rate which would be used by the Pension Benefit Guaranty Corporation from time to time during such periods for the purpose of determining the present value of a single sum distribution on plan termination.

(l) The Grantor Trust of an Executive Participant shall terminate upon the actual or deemed withdrawal by the Executive Participant of all amounts in the Grantor Trust and in his Segregated Account. The Grantor Trust also shall terminate upon the expiration of sixty (60) days following the termination of employment of the Executive Participant, unless continued by agreement between the Executive Participant and the Trustee.

(m) Upon the making of the final contribution or other payment pursuant to paragraph (e) of this Section 6, and the payment pursuant to paragraph (h) of this Section 6 in respect of additional taxes resulting from such final contribution or payment, the Company shall have no further liability for benefits otherwise payable under Sections 3 and 4 to the Executive Participant or his Surviving Spouse, estate or other beneficiaries.

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(n) The provisions of this Section 6 shall supersede the provisions of any other Section of this Plan to the extent such other provisions might be considered to conflict with the provisions of this Section 6.

Section 7. ADMINISTRATION. This Plan shall be administered by the Committee. All decisions and interpretations of the Committee shall be conclusive and binding on the Company and Highly Compensated Employees and Executive Participants. The Plan may be amended or terminated by the Board of Directors of the Company at any time; provided, however, that no such amendment or termination shall deprive any Highly Compensated Employee or Executive Participant of supplemental retirement or profit-sharing plan benefits accrued to the date of such amendment or termination or modify the last two sentences of Section 5 in a manner adverse to any Executive Participant; and provided further, however, that the Plan shall not be amended without approval of the stockholders of the Company if such amendment would materially increase the cost of the Plan to the Company.

Section 8. NONASSIGNABILITY. Subject to Section 6, no Highly Compensated Employee or Executive Participant shall have the right to assign, pledge or otherwise dispose of any benefits payable to him hereunder nor shall any benefit hereunder be subject to garnishment, attachment, transfer by operation of law, or any legal process.

AMENDMENT TO TRUST AGREEMENT

THIS AMENDMENT, made as of the 1st day of November, 1993, among AMERICAN BRANDS, INC., a Delaware corporation (the "Company"), THE CHASE MANHATTAN BANK (National Association), incorporated under the laws of the United States of America (the "Trustee") and HEWITT ASSOCIATES, a partnership formed under the laws of Illinois ("Hewitt")

W I T N E S S E T H :

WHEREAS, the Company and the Trustee have entered into a Trust Agreement for the purpose of establishing a trust in order to provide a source of benefits under the terms of the Company's Supplemental Retirement Plan for the benefit of William J. Alley and Hewitt is designated as Trustee's Contractor thereunder; and

WHEREAS, the Trust Agreement sets forth the permitted investments of the assets held thereunder and it is desired to change the permitted investments;

NOW, THEREFORE, in consideration of the premises, the parties agree that the third sentence of Section 5.2 of the Trust Agreement is hereby amended to read as follows:

"The investment manager shall invest the assets of the Fund solely in The Chase Manhattan Bank Fixed Income Fund to the extent practicable and otherwise in The Chase Manhattan Bank Personal Trust Market Rate Account."

IN WITNESS WHEREOF, the parties have caused this AMENDMENT to be duly executed as of the day and year first written above.

AMERICAN BRANDS, INC.

Attest:

Theresa B. Fealey

Assistant Secretary

Steven C. Mendenhall
By-----
Steven C. Mendenhall
Vice President and
Chief Administrative Officer

THE CHASE MANHATTAN BANK

Attest:

Mark W. Moore

Assistant Treasurer

William P. Barbeosch
By-----
William P. Barbeosch
Vice President

HEWITT ASSOCIATES

Witness:

Peter E. Ross

C.L. Connolly, III
By-----

I hereby consent to the foregoing AMENDMENT.

Witness:

Steven C. Mendenhall

William J. Alley
By-----
William J. Alley

STATE OF)
 : ss.: , -November , 1993
COUNTY OF)

Personally appeared ,

of HEWITT ASSOCIATES, signer and sealer of the
foregoing instrument, and acknowledged the same to be his free act and deed
as such and the free act and deed of said
Corporation, before me.

Notary Public

STATE OF CONNECTICUT)
 : ss.: Old Greenwich, CT-November 18, 1993
COUNTY OF FAIRFIELD)

Personally appeared William J. Alley, signer of the foregoing
instrument, and acknowledged the same to be his free act and deed, before
me.

Louis F. Fernous, Jr.

Notary Public

STATE OF ILLINOIS)
 : ss.: Lincolnshire, IL -November 19, 1993
COUNTY OF LAKE)

Personally appeared C.L. Connolly, III, Partner of HEWITT
ASSOCIATES, signer and sealer of the foregoing instrument, and acknowledged

the same to be his free act and deed as such Partner and the free act and deed of said Partnership, before me.

Barbara L. Stern

Notary Public

Schedule identifying substantially identical agreements, among American Brands, Inc. ("American") and The Chase Manhattan Bank (National Association), et al. establishing a trust in favor of each of the following persons, to the Trust Agreement and Amendment thereto constituting Exhibits 10c2 and 10c3, respectively, to the Annual Report on Form 10-K of American for the Fiscal Year ended December 31, 1993

Name

Thomas C. Hays
Arnold Henson
Robert L. Plancher
Gilbert L. Klemann, II
John T. Ludes
Robert J. Rukeyser
Randall W. Larrimore
Steven C. Mendenhall

AMERICAN BRANDS, INC.
WILLIAM J. ALLEY

TRUST AGREEMENT

THIS AGREEMENT, made as of the 1st day of November, 1993, among WILLIAM J. ALLEY, AMERICAN BRANDS, INC., a Delaware corporation (the "Company"), and THE CHASE MANHATTAN BANK (National Association), incorporated under the laws of the United States of America (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company has incurred and expects to continue to incur certain retirement income liability to or with respect to WILLIAM J. ALLEY (the "Executive") pursuant to the terms of the Company's Supplemental Retirement Plan (including the supplemental profit-sharing provisions therein) (herein referred to as the "Plan"); and

WHEREAS, the Company and the Executive entered into an agreement dated as of March 1, 1988 and such agreement was thereafter amended as of March 1, 1989 and as of May 8, 1990, providing for supplemental retirement benefits to the Executive (such Agreement as amended being herein referred to as the "Retirement Agreement"); and

WHEREAS, the Company desires to provide additional assurance to

the Executive that his rights under the Plan and the Retirement Agreement will in the future be met or substantially met by application of the procedures set forth herein; and

WHEREAS, the Executive and the Company wish to establish with the Trustee a trust for the benefit of the Executive in order to provide a source of payments of the benefits payable to the Executive under the terms of the Plan and the Retirement Agreement;

NOW, THEREFORE, in consideration of the premises and mutual and independent promises herein, the parties hereto covenant and agree as follows:

ARTICLE I

1.1 The Executive and the Company hereby establish with the Trustee a Trust consisting of such sums of money and such property acceptable to the Trustee as shall from time to time be paid or delivered to the Trustee by the Company and the earnings and profits thereon. All such money and property, all investments made therewith and proceeds thereof, less the payments or other distributions which, at the time of reference, shall have been made by the Trustee, as authorized herein, are referred to herein as the "Fund" and shall be held by the Trustee, IN TRUST, in accordance with the provisions of this Agreement. The Trust shall be solely for the purpose of providing benefits under the Plan and the Retirement Agreement with respect to the Executive, and neither the Company nor any creditors of the Company shall have any interest in the

Fund.

1.2 The Trustee shall hold, manage, invest and otherwise administer the Fund pursuant to the terms of this Agreement. The Trustee shall be responsible only for contributions actually received by it hereunder and shall have no responsibility for the correctness of the

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amount thereof. Upon the establishment of this Trust, and from time to time thereafter, the Company may contribute to the Trust, unless otherwise directed by the Executive to make such contributions to a segregated account established with the Trustee or other bank, trust company or other financial institution by or for the benefit of the Executive pursuant to the Plan ("Segregated Account"), such amount in cash as the Company shall determine to be appropriate to provide a source of the payments required under the terms of the Plan and the Retirement Agreement. Prior to the making of any contribution to the Trust, the Company shall have approved the establishment of a Segregated Account of the Executive, the terms and provisions thereof, and the bank, trust company or other financial institution with which such Segregated Account may be established. The initial contribution by the Company shall be in an amount approximately equal to the present value of the after tax equivalent of the aggregate maximum benefits that would be due to the Executive as of such date under the retirement provisions of the Plan and the Retirement Agreement and under the profit-sharing provisions of the Plan, or such lesser amount as

the Company shall determine. Unless there has been a withdrawal by the Executive from the Trust as provided in Section 2.4, or from the Executive's Segregated Account, as to which the Compensation and Stock Option Committee of the Company has not determined otherwise, the Company will make additional annual contributions to the Trust or Segregated Account in amounts such that the amount of the Fund, together with the amount in the Executive's Segregated Account, at such time will be approximately equal to the present value of the after tax equivalent of the Executive's accrued benefits under the Plan and the Retirement Agreement at that time, or in such lesser amounts as the Company shall determine. Unless the Trust has previously been terminated as a result of

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the Executive's actual or deemed withdrawal of all amounts in the Fund, as provided in Section 8.1, and in his Segregated Account, the Company also may make a final contribution to the Trust as promptly as practicable after the Executive's termination of employment in an amount such that the amount of the Fund, together with the amount, if any, in the Executive's Segregated Account, except for any amounts which are attributable to amounts deemed withdrawn previously and the income earned thereon, will be equal to (i) the sum of the present value of the after tax equivalent of (x) the Executive's benefit under the supplemental retirement provisions of the Plan and the Retirement Agreement or, if the termination of employment is by reason of the death of the Executive, the Executive's benefit under the supplemental retirement provisions of the Plan and the Retirement Agreement immediately prior to his death and (y) the

Executive's supplemental profit-sharing benefit under the Plan, reduced by (ii) the amounts of any actual withdrawals from the Fund or from the Executive's Segregated Account by the Executive as provided in Section 2.4 plus the income which would have been earned on such withdrawn amounts from the time of withdrawal to the time of the Executive's termination of employment, at a rate equal to the after tax equivalent of 120% of the applicable monthly immediate annuity interest purchase rate which would be used by the Pension Benefit Guaranty Corporation from time to time during such period for the purpose of determining the present value of a single sum distribution on plan termination.

1.3 The Company shall certify to the Trustee and the Executive at the time of each contribution to the Fund the amount of such contribution being made in respect of the Executive's supplemental retirement benefit under the Plan and the Retirement Agreement and the

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amount being made in respect of the Executive's supplemental profit-sharing benefit under the Plan. The Fund shall be revalued by the Trustee quarterly as of the last business day of each March, June, September and December, or at such other times as agreed to by the Company and the Trustee, at current market values, as determined by the Trustee, which shall deliver as soon as practicable a copy of such quarterly valuation to the Company and the Executive.

ARTICLE II

2.1 The Company shall act as Administrator of the Trust.

Except for the records dealing solely with the Fund and its investment, which shall be maintained by the Trustee, the Company as Administrator shall maintain all the Executive's records contemplated by this Agreement, including records of the Executive's compensation and benefits from the Company, the amount of his benefits accrued under the Plan and the Retirement Agreement, the Company's contributions to the Fund, withdrawals from the Fund as provided in Section 2.4 or from the Executive's Segregated Account, the Executive's beneficiary designation and such other records as may be necessary for determining the amount payable to the Executive or his Surviving Spouse or other beneficiary under the Plan and the Retirement Agreement. All such records shall be made available promptly upon the request of the Executive. In the event that the Executive's Segregated Account is not maintained with the Trustee, the Company shall give written notice to the Trustee as to the identity of the bank, trust company or other financial institution with which the Segregated Account is maintained. In such case, the Company also shall give notice to the Trustee in the event of a withdrawal by the Executive of any or all of the funds in his Segregated Account. Unless the Trust

has previously been terminated as provided in Section 8.1, the Company shall give written notice to the Trustee of the Executive's termination of employment, and as to whether such termination is by reason of the death of the Executive. The Company as Administrator shall also prepare and

distribute the Executive's annual estimated benefit statements specified in Section 2.2 and shall perform such other duties and responsibilities in connection with the administration of the Trust as the Company or the Trustee determines is necessary or advisable to achieve the objectives of this Agreement.

2.2 The Company as Administrator shall prepare an annual estimated benefits statement in respect of the Executive and shall furnish a copy of same to the Executive by no later than May 15 of each year.

2.3 The Company shall have full responsibility for the proper remittance of all withholding taxes on contributions by the Company to the Trust to the appropriate taxing authority and shall furnish the Executive with the appropriate tax information form reporting the amounts of such contributions and any withholding taxes. The Trustee shall have the responsibility for the preparation and filing with the appropriate taxing authorities of all tax returns required to be filed for the Trust.

2.4 Subject to the next to the last sentence of Section 5.2, the Executive may withdraw all or any portion of the Fund, in cash or, to the extent practicable, in kind at any time upon written notice of not less than sixty (60) days to the Company and the Trustee. Prior to any such withdrawal, the Trustee shall notify the Company in writing of such withdrawal and the amount thereof, and as to whether or not such

withdrawal is a complete withdrawal of all amounts in the Fund. In the event of any withdrawal by the Executive from his Segregated Account, the Company shall promptly notify the Trustee in writing of such withdrawal and the amount thereof, and as to whether or not such withdrawal is a complete withdrawal of all amounts in the Segregated Account. In the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, for purposes of Sections 1.2 and 8.1 the Executive shall be deemed to have made a complete withdrawal of all amounts in the Fund and in his Segregated Account, unless the Compensation and Stock Option Committee of the Company shall determine that the Executive shall not be deemed to have made such a complete withdrawal. The Company shall promptly notify the Trustee in writing of any such determination. Except as otherwise determined by the Compensation and Stock Option Committee of the Company, in the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, no further contributions shall be made thereafter by the Company to the Trust until the Executive's termination of employment, at which time if the Trust has not previously been terminated as a result of the Executive's actual or deemed withdrawal of all amounts in the Fund and in his Segregated Account a final contribution by the Company may be made as provided in Section 1.2.

2.5 The Executive may elect to transfer all or any portion of the Fund to his Segregated Account, in cash or, to the extent practicable, in kind, at any time upon written notice of not less than sixty (60) days to the Company and the Trustee and the financial institution with which

the Segregated Account is established. The Executive also may elect to transfer funds, in cash, from his Segregated Account to the Trust upon written notice of not less than sixty (60) days to the Company and the

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Trustee, and funds so transferred shall be held by the Trustee as part of the Fund. Such transfers between the Fund and the Executive's Segregated Account shall not constitute withdrawals for purposes of Section 2.4.

2.6 The Executive may designate a beneficiary to receive all or any portion of the Fund in the event of his death. Such designation shall be in writing filed with the Company as Administrator on a form approved by it and signed by the Executive. The Company shall promptly notify the Trustee of any such beneficiary designation and any changes therein.

ARTICLE III

3.1 After the execution of this Agreement, the Company shall promptly file with the Trustee a certified list of the names and specimen signatures of the officers of the Company and any delegate authorized to act for it. The Company shall promptly notify the Trustee of the addition or deletion of any person's name to or from such list, respectively. Until receipt by the Trustee of notice that any person is no longer authorized so to act, the Trustee may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to the Trustee shall be in writing signed by such person or persons. The Trustee may rely on any such certification, notice or

direction purporting to have been signed by or on behalf of such person or persons that the Trustee believes to have been signed thereby. The Trustee may rely on any certification, notice or direction of the Company that the Trustee believes to have been signed by a duly authorized officer or agent of the Company. The Trustee shall have no responsibility for acting or not acting in reliance upon any notification believed by the Trustee to have been so signed by a duly authorized officer or agent of

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the Company. The Company shall be responsible for keeping accurate books and records with respect to the Executive, his compensation and his rights and interests in the Fund under the Plan.

3.2 The Company shall indemnify and hold harmless the Trustee for any liability or expenses, including without limitation advances for or prompt reimbursement of reasonable fees and expenses of counsel and other agents retained by it, incurred by the Trustee with respect to holding, managing, investing or otherwise administering the Fund, other than by reason of its negligence or willful misconduct.

ARTICLE IV

4.1 The Trustee shall not be liable in discharging its duties hereunder, including without limitation its duty to invest and reinvest the Fund, if it acts in good faith and in accordance with the terms of this Agreement including, without limitation, the making of any investment

directed by the Executive, the Company or an investment manager other than the Trustee, and any applicable federal or state laws, rules or regulations.

4.2 The Trustee is hereby appointed as the investment manager of the Fund. In the event that the Trustee cannot serve as investment manager of the Fund, the Trustee shall then select Pacific Investment Management Company as investment manager; provided that if Pacific Investment Management Company is unwilling or unable to act as investment manager, the Trustee shall select J.P. Morgan Investment Management Inc. as investment manager. The investment manager shall invest the assets of the Fund separately as to amounts representing the Executive's

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supplemental retirement benefit under the Plan and amounts representing the Executive's supplemental profit-sharing benefit. Supplemental retirement benefit amounts shall be invested solely in the Chase Manhattan Fixed Income Fund to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. Supplemental profit-sharing benefit amounts shall be invested in one or more of (i) the Vista U.S. Government Income Fund, (ii) the Vista Balanced Fund, (iii) the Chase Manhattan Personal Trust Market Rate Account or (iv) the Chase Manhattan Equity Income Fund, in such portions as are elected by the Executive by written election filed with the Company and notified to the Trustee by the Company, all to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account, and all without liability of

the Trustee for such election. The Executive may change such election at any time by filing a new written election with the Company, which shall promptly notify the Trustee thereof, and all without liability of the Trustee for such new election. Subject to such investment restrictions, the Trustee shall have the power and right:

(a) To receive and hold all contributions made to it by the Company;

(b) To invest and reinvest all or any portion of the Fund collectively through the medium of any common, collective, commingled trust or mutual fund that may be established and maintained by the Trustee or any affiliate thereof, subject to the instrument or instruments establishing such trust fund or funds and with the terms of such instrument or instruments, as from time to time amended, being incorporated into this Agreement to the extent of the equitable share of the Fund in any such common, collective, commingled trust or mutual fund;

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(c) To participate in and use a book-entry system for the deposit and transfer of securities;

(d) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(e) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(f) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof and any assessments levied with respect to any such property so deposited;

(g) To extend the time of payment of any obligation held by it;

(h) To hold uninvested any moneys received by it, without liability for interest thereon, until such moneys shall be invested, reinvested or disbursed;

(i) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(j) For the purposes of the Trust, to borrow money from others, including The Chase Manhattan Bank (National Association), to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;

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(k) To furnish the Company and the Executive with such information as may be needed for tax or other purposes;

(l) To employ suitable agents and counsel, who may be counsel

to the Company or the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;

(m) To cause any property held by it to be registered and held in the name of one or more nominees, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold securities in bearer form;

(n) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;

(o) To organize under the laws of any state a corporation or trust for the purpose of acquiring and holding title to any property which it is authorized to acquire hereunder and to exercise with respect thereto any or all of the powers set forth herein; and

(p) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.

4.3 No person dealing with the Trustee shall be under any obligation to see to the proper application of any money paid or property

delivered to the Trustee or to inquire into the Trustee's authority as to any transaction.

4.4 The Trustee shall distribute cash or other assets from the Fund in accordance with Articles II and VIII hereof.

The Trustee may make any distribution required hereunder by mailing its check for the specified amount or, if distribution is to be made in kind, by making other appropriate distribution, to the person to whom such distribution or payment is to be made, at such address as may be specified pursuant to Section 10.5, or if no such address shall have been so furnished, to such person in care of the Company, or (if so directed by the recipient) by crediting the account of such person or by transferring funds to such person's account by bank or wire transfer.

4.5 If at any time there is no person authorized to act under this Agreement on behalf of the Company, the Board of Directors of the Company or its Compensation and Stock Option Committee shall have the authority to act hereunder.

ARTICLE V

5.1 The Executive, or in the event of the Executive's death the Executive's personal representative, shall be responsible for the payment of any federal, state or local taxes on the Fund, or any part thereof, and on the income therefrom, subject to the Company's obligation under the

Plan to reimburse the Executive in respect of such taxes.

5.2 For all periods prior to the Executive's termination of employment, and for a period of sixty (60) days thereafter and for any

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further period as may be authorized by the Company, the Company shall pay to the Trustee its reasonable expenses for the management and administration of the Fund, including without limitation advances for or prompt reimbursement of reasonable expenses of counsel and other agents employed by the Trustee, and reasonable compensation for its services as Trustee hereunder, the amount of which shall be agreed upon from time to time by the Company and the Trustee in writing; provided, however, that if the Trustee forwards an amended fee schedule to the Company requesting its agreement thereto and the Company fails to object thereto within thirty (30) days of its receipt, the amended fee schedule shall be deemed to be agreed upon by the Company and the Trustee. Such expenses and compensation shall be a charge on the Fund and shall constitute a lien in favor of the Trustee until paid by the Company. The Company and the Executive acknowledge that the Trustee, or an affiliate thereof, will, in addition to the compensation provided by this Article 5.2, receive compensation with regard to the administration and investment of certain funds referred to in Article 4.2 hereof, and the Company and the Executive agree that the Trustee, or any affiliate thereof, shall receive such compensation in addition to the compensation provided by this Article 5.2.

ARTICLE VI

6.1 The Trustee shall maintain records with respect to the Fund that show all its receipts and disbursements hereunder. The records of the Trustee with respect to the Fund shall be open to inspection by the Company or its representatives and by the Executive at all reasonable times during normal business hours of the Trustee and may be audited not more frequently than once each fiscal year by an independent certified public accountant engaged by the Company; provided, however, the Trustee

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shall be entitled to additional compensation from the Company in respect of audits or auditors' requests which the Trustee determines to exceed the ordinary course of the usual scope of such examinations of its records.

6.2 Within a reasonable time after the close of each fiscal year of the Company (or, in the Trustee's discretion, at more frequent intervals), or of any termination of the duties of the Trustee hereunder, the Trustee shall prepare and deliver to the Company and the Executive a statement of transactions reflecting its acts and transactions as Trustee during such fiscal year, portion thereof or during such period from the close of the last fiscal year or last statement period to the termination of the Trustee's duties, respectively, including a statement of the then current value of the Fund. Any such statement shall be deemed an account stated and accepted and approved by the Company and the Executive, and the Trustee shall be relieved and discharged, as if such account had been

settled and allowed by a judgment or decree of a court of competent jurisdiction, unless protested by written notice to the Trustee within sixty (60) days of receipt thereof by the Company or the Executive.

The Trustee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as herein provided or for the determination of any question of construction or for instructions. In any such action or proceeding it shall be necessary to join as parties only the Trustee, the Company and the Executive (although the Trustee may also join such other parties as it may deem appropriate), and any judgment or decree entered therein shall be conclusive.

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ARTICLE VII

7.1 The Trustee may resign at any time by delivering written notice thereof to the Company and the Executive; provided, however, that no such resignation shall take effect until the earlier of (i) sixty (60) days from the date of delivery of such notice to the Company and the Executive or (ii) the appointment of a successor trustee.

7.2 The Trustee may be removed at any time by the Company, pursuant to a resolution of the Board of Directors of the Company or its Compensation and Stock Option Committee, upon delivery to the Trustee of a

certified copy of such resolution and sixty (60) days' written notice to the Trustee and the Executive of (i) such removal and (ii) the appointment of a successor trustee, unless such notice period is waived in whole or in part by the Trustee and the Executive.

7.3 Upon the resignation or removal of the Trustee, a successor trustee shall be appointed by the Company. Such successor trustee shall be a bank or trust company established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion. Such appointment shall take effect upon the delivery to the Trustee and the Executive of (a) a written appointment of such successor trustee, duly executed, by the Company and (b) a written acceptance by such successor trustee, duly executed thereby. Any successor trustee shall have all the rights, powers and duties granted the Trustee hereunder.

7.4 If, within sixty (60) days of the delivery of the Trustee's written notice of resignation, a successor trustee shall not have been

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appointed, the Trustee shall apply to any court of competent jurisdiction for the appointment of a successor trustee.

7.5 Upon the resignation or removal of the Trustee and the appointment of a successor trustee, and after the acceptance and approval of its account, the Trustee shall transfer and deliver the Fund to such successor trustee. Under no circumstances shall the Trustee transfer or

deliver the Fund to any successor trustee which is not a bank or trust company having either total assets of at least \$15 billion or trust assets of at least \$25 billion.

ARTICLE VIII

8.1 The Trust established pursuant to this Agreement shall terminate upon the actual or deemed withdrawal by the Executive of all amounts in the Fund, as provided in Section 2.4, and in the Executive's Segregated Account. The Trust also shall terminate upon the expiration of sixty (60) days following the Executive's termination of employment (by retirement or otherwise), unless the Trustee and the Executive agree to continue the Trust thereafter upon such terms as they may agree, but in the event of such continuation the Company shall have no further obligations under this Agreement with respect to matters relating to such continuation, including expenses and compensation of the Trustee, as provided in Section 5.2, and indemnification of the Trustee as provided in Section 3.2.

8.2 Upon the termination of the Trust by reason of the death of the Executive, or by reason of the Executive's termination of employment other than by death if the Trust has not been continued by agreement between the Trustee and the Executive, the Trustee shall distribute the Fund as directed by the Executive or, in the absence of such direction,

shall distribute all of the Fund to the Executive's Segregated Account, if

any, or if there is no such Segregated Account to the Executive, or in the event of the Executive's death his personal representative, after deducting therefrom any amounts owing to the Trustee under this Agreement which have not been paid by the Company. Upon any termination of the Trust in accordance with Article VIII, the Trustee shall, after the acceptance and approval of its account, be relieved and discharged. The powers of the Trustee, including the right to receive compensation for services and payment of expenses, as provided in Section 5.2, shall continue as long as any part of the Fund remains in its possession.

ARTICLE IX

9.1 This Agreement may be amended, in whole or in part, at any time and from time to time, by the Company with the written consent of the Executive and the Trustee. Any such amendment by the Company shall be pursuant to a resolution of the Board of Directors of the Company or its Compensation and Stock Option Committee by delivery to the Trustee of a certified copy of such resolution and a written instrument duly executed and acknowledged by the Company and the Executive in the same form as this Agreement.

ARTICLE X

10.1 This Agreement shall be construed and interpreted under, and the Trust hereby created shall be governed by, the laws of the State of New York insofar as such laws do not contravene any applicable federal laws, rules or regulations.

10.2 Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

10.3 This Agreement shall be binding upon and inure to the benefit of the Executive, his estate, personal representative, beneficiary, heirs and assigns. This Agreement also shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise and any subsequent successor thereto. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustee in writing of its successorship and furnish the Trustee with the information specified in Section 3.1 of this Agreement. In no event shall any such transaction described herein suspend or delay the rights of the Executive to receive benefits hereunder.

10.4 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one Agreement.

10.5 All notices and other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when actually delivered to the respective addresses set forth below:

Company: American Brands, Inc.
1700 East Putnam Avenue
Old Greenwich, Connecticut 06870-0811
Attn: Senior Vice President
and General Counsel

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Trustee: The Chase Manhattan Bank, N.A.
1211 Avenue of the Americas
New York, New York 10036
Attn: Trusts and Estates
Services Division, 34th Floor

Executive: William J. Alley
112 Clearview Lane
New Canaan, Connecticut 06840

or at such other address as such person may specify in writing by notice as set forth above to the other persons listed above.

ARTICLE XI

11.1 In consideration of the establishment of the Fund, the Executive consents to the distribution from time to time of assets of the trust established pursuant to the Trust Agreement made as of the 1st day of February, 1989, among American Brands, Inc., The Chase Manhattan Bank (National Association) and Hewitt Associates established to provide a source of the Executive's benefits under the Plan, in amounts to be used for the making of contributions to the Trust or Segregated Account of the Executive as provided in Section 1.2, or the making of payments to the

Executive (or beneficiary) pursuant to the Plan and the Retirement Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the 1st day of November, 1993.

Attest: AMERICAN BRANDS, INC.

Theresa B. Fealey

Assistant Secretary

Steven C. Mendenhall
By-----
Steven C. Mendenhall
Vice President and
Chief Administrative Officer

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Attest: THE CHASE MANHATTAN BANK

Mark W. Moore

Assistant Treasurer

William P. Barbeosch
By-----
William P. Barbeosch
Vice President

Witness: WILLIAM J. ALLEY

Steven C. Mendenhall

William J. Alley

Louis F. Fernous, Jr.

Notary Public

STATE OF NEW YORK)
 : ss.: New York, NY-November 24, 1993
COUNTY OF NEW YORK)

Personally appeared William P. Barbeosch, Vice President of THE CHASE MANHATTAN BANK, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Vice President and the free act and deed of said Company, before me.

Kamla Jaipal

Notary Public

STATE OF CONNECTICUT)
 : ss.: Old Greenwich, CT-November 18, 1993
COUNTY OF FAIRFIELD)

Personally appeared WILLIAM J. ALLEY, signer of the foregoing instrument, and acknowledged the same to be his free act and deed, before me.

Louis F. Fernous, Jr.

Notary Public

Schedule identifying substantially identical agreements,
among American Brands, Inc. ("American") and The Chase
Manhattan Bank (National Association), et al.
establishing a grantor trust in favor of each of the
following persons, to the Trust Agreement constituting
Exhibit 10c5 to the Annual Report on Form 10-K of
American for the Fiscal Year ended December 31, 1993

Name

Thomas C. Hays
Arnold Henson
Robert L. Plancher
Gilbert L. Klemann, II
John T. Ludes
Robert J. Rukeyser
Randall W. Larrimore
Steven C. Mendenhall

SUPPLEMENTAL RETIREMENT PLAN
EFFECTIVE JANUARY 1, 1988
AS AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 1993

Section 1. Purpose. This Supplemental Retirement Plan is an unfunded plan established for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA in order to induce such employees of outstanding ability to join or continue in the employ of the Company and to increase their efforts for its welfare by providing them with supplemental retirement benefits notwithstanding the limitations imposed by the Internal Revenue Code on retirement benefits from tax qualified plans.

Section 2. Definitions. As used in this Plan, the following words shall have the following meanings:

- a. "Committee" means the administrative body for the Retirement Plan.
- b. "Company" shall mean The Franklin Life Insurance Company or any other corporation with or into which it has merged, consolidated or reinsured or any other corporation which is a wholly owned subsidiary of The Franklin Life Insurance Company.
- c. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- d. "Grantor Trust" means a trust for the benefit of an Executive Participant (as defined in Section 4) established pursuant to

Section 4 to provide for the payment of benefits under this Plan.

e. "Highly Compensated Employee" means a Participant who comes within the definition of a highly compensated employee set forth in Section 414(q) of the Internal Revenue Code (or any successor provision) for any Plan year. With respect to a disabled

employee, compensation will be deemed to be that which was in effect at the date of disablement.

f. "IRC Limitations" means the Retirement Plan provisions adopted (i) pursuant to Section 415 of the Internal Revenue Code to limit (A) annual Retirement Plan benefits pursuant to Section 415(b) thereof, (B) annual additions pursuant to Section 415(c) thereof and (C) the aggregate of annual Retirement Plan benefits and additions pursuant to Section 415(e) thereof and (ii) pursuant to Section 401(a)(17) of the Internal Revenue Code, as amended (including regulations promulgated by the Secretary of the Treasury or his delegate), to limit compensation considered for purposes of computing Retirement Plan benefits.

g. "Participant" means a salaried employee of the Company not represented by a collective bargaining agent who is within the category of a select group of management or highly compensated employees as referred to in Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA.

h. "Plan Year" means the calendar year.

i. "Retirement Plan" means The Franklin Life Employees'

Retirement Plan as amended from time to time.

j. "Segregated Account" means an account established with a bank or other financial institution approved by the Company, or other form of segregated account approved by the Company, established pursuant to Section 4 by or for the benefit of an Executive Participant to provide for the payment of benefits under this Plan.

k. "Surviving Spouse" means the surviving husband or wife of a Participant who has been married to the Participant throughout the

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one-year period ending on the earlier of (i) the Participants' annuity starting date (as defined in the Retirement Plan) or (ii) the date of the Participant's death.

Section 3. Supplemental Retirement Benefits.

a. Each Participant who is a Highly Compensated Employee and who has not been elected to the position of Division Vice President or any office senior thereto prior to the date of termination of employment, normal, deferred or early retirement under the Retirement Plan, and to whom benefits become payable under the Retirement Plan, shall be paid a supplemental annual retirement benefit under this Plan. The benefit provided under this subsection shall be equal in amount to the difference between (i) the benefit paid under the Retirement Plan if the IRC limitations were not contained therein and (ii) the benefit that would be payable under the Retirement Plan with the IRC limitations

contained therein; provided, however, that reductions in benefit incurred as a result of IRC Section 401(a)(17) shall not be paid under this subsection.

The combined annual benefit provided under this Plan, the qualified Retirement Plan of the Company and any retirement plans of affiliated Corporations paid on behalf of a Participant described in this subsection shall not exceed the lesser of: (1) 60% of the employee's Final Average Compensation (as defined in the Retirement Plan) minus the applicable offset amount or (2) 100% of the average of the 3 highest consecutive years of Compensation (as defined in the Retirement Plan). If the Surviving Spouse of a Participant described in this subsection is entitled to a spouse's benefit under the Retirement Plan, the

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Surviving Spouse shall be paid a benefit hereunder equal to the difference between (i) the spouse's benefit payable under the Retirement Plan if the IRC Limitations were not contained therein and, (ii) the spouse's benefit that would be payable under the Retirement Plan with the IRC Limitations contained therein, provided, however, that reductions in benefit incurred as a result of IRC Section 401(a)(17) shall not be paid to such Surviving Spouse.

b. Each Participant who is a Highly Compensated Employee and who has been elected to the position of Division Vice President or any

office senior thereto prior to the date of termination of employment, normal, deferred or early retirement under the Retirement Plan, and to whom benefits become payable under the Retirement Plan, shall be paid a supplemental annual retirement benefit under this Plan. Subject to Section 4, the benefit provided under this subsection shall be equal in amount to the difference between (i) the benefit paid under the Retirement Plan if the IRC Limitations were not contained therein and (ii) the benefit that would be payable under the Retirement Plan with the IRC Limitations contained therein. Reductions in benefit incurred as a result of IRC Section 401(a)(17) shall be paid under this subsection. The combined annual benefit provided under this Plan, the qualified Retirement Plan of the Company and any retirement plans of affiliated Corporations paid on behalf of a Participant described in this subsection shall not exceed the lesser of: (1) 60% of the employee's Final Average Compensation (as defined in the Retirement Plan) minus the applicable offset amount or (2)

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100% of the average of the three highest consecutive years of Compensation (as defined in the Retirement Plan).

If a Surviving Spouse of a Participant described in this subsection is entitled to a spouse's benefit under the Retirement Plan, the Surviving Spouse shall be paid a benefit hereunder, subject to Section 4, equal to the difference between (i) the

spouse's benefit payable under the Retirement Plan if the IRC Limitations were not contained therein and, (ii) the spouse's benefit that would be payable under the Retirement Plan with the IRC Limitations contained therein.

c. Subject to Section 4, the supplemental retirement benefits provided by this Plan shall be paid to the Participant (or to the Participant's Surviving Spouse) by the employer concurrently with the payment of the benefits payable under the Retirement Plan.

d. Subject to Section 4, the form of payment for the supplemental retirement benefit payable under this Plan will be the same form of payment as the Participant's benefit under the Retirement Plan.

Section 4. Grantor Trusts and Segregated Accounts. Notwithstanding Section 3.b. of this Plan, the Company may provide for the establishment of Grantor Trusts and Segregated Accounts by or for the benefit of individual Participants who are highly compensated employees and have been elected to the position of Division Vice President or any position senior thereto (hereinafter "Executive Participant") to provide for the payment of benefits under this Plan, consistent with the following provisions:

a. The Trustee of the Grantor Trusts shall be a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets (including assets of a bank holding company of

which the bank is a member) of at least \$25 billion or trust

assets of at least \$1 billion. Each Grantor Trust shall be established pursuant to a trust agreement having terms and provisions approved by the Company and consistent with this Section. The Grantor Trust shall be solely for the purpose of providing benefits under the Plan with respect to the Executive Participant, and neither the Company nor any creditors of the Company shall have any interest in the assets of the Grantor Trust. The Company shall be the administrator of the Grantor Trust, and shall have such powers as are granted by the trust agreement.

b. The Company shall pay the fees and expenses of the Trustee and all the expenses for the management and administration of each Grantor Trust and Segregated Account for all periods prior to the Executive Participant's termination of employment and for a period of sixty (60) days thereafter and for any further period as may be authorized by the Committee to permit the orderly distribution of the assets of the Executive Participant's Grantor Trust or Segregated Account, and shall indemnify the Executive Participant against any liability or cost in respect thereof, including any tax liabilities or costs.

c. Each Segregated Account shall be a savings or other type of account approved by the Company established with a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets (including assets of a bank holding company of which the bank is a member) of at least \$25 billion or trust

assets of at least \$1 billion, or other form of segregated account

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with such a bank or trust company or other financial institution approved by the Company, in each case with such terms and provisions as are approved by the Company and consistent with this Section.

d. The Company may from time to time make annual contributions to either the Grantor Trust, or Segregated Account if directed by an Executive Participant, in amounts which when added to the existing balances in the Executive Participant's Grantor Trust and Segregated Account will be approximately equal to the present value of the after tax equivalent of the Executive Participant's accrued benefit under Section 3.b.

e. Unless the Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as provided in paragraph j, as promptly as practicable after the Executive Participant's termination of employment, whether by retirement, death or otherwise, the Company may make a final contribution to the Executive Participant's Grantor Trust, or Segregated Account if directed by the Executive Participant, in an amount which when added to the existing balances in the Executive Participant's Grantor Trust and Segregated Account, except for any balances which are attributable to amounts deemed withdrawn

previously and the income earned thereon, will be approximately equal to (i) the sum of the present value of the after tax equivalent of (A) if termination is not by reason of the death of the Executive Participant, the Executive Participant's accrued benefit under Section 3.b. or, (B) if the termination of employment is by reason of death, the spouse's benefit payable

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under Section 3.b. to the Executive Participant's Surviving Spouse, if any, offset by (ii) any amounts previously actually withdrawn by the Executive Participant from his Grantor Trust or Segregated Account and income which would have been earned thereon calculated as provided in paragraph i. If prior to the Executive Participant's termination of employment his Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as promptly as practicable following such termination of employment, the Company may make a final payment to the Executive Participant, or his Surviving Spouse, or in the event of the death of the Executive Participant his personal representative, in an amount equal to the present value of the after tax equivalent of benefits payable under Section 3.b. offset by the amounts previously withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust and Segregated Account and income which would have been earned thereon, calculated as provided in paragraph i.

f. The Company shall make payments to the Executive Participant (or his Surviving Spouse or other beneficiary) from time to time in the approximate amounts required to compensate the Executive Participant (or his Surviving Spouse or other beneficiary) for additional federal, state and local taxes on income resulting from the inclusion in the Executive Participant's or Surviving Spouse's or other beneficiary's taxable income of contributions to the Executive Participant's Grantor Trust and Segregated Account, the final payment pursuant to paragraph e if the Grantor Trust has been terminated prior to the Executive Participant's termination

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of employment, and the income of the Grantor Trust and Segregated Account for periods prior to termination of employment (including amounts paid by the Company pursuant to paragraphs b and e).

g. An Executive Participant may elect to transfer all or any portion of the funds in his Grantor Trust to his Segregated Account, or to transfer all or any portion of the funds in his Segregated Account to his Grantor Trust, upon written notice of not less than sixty (60) days to the Company and the Trustee and the financial institution with which the Segregated Account is established.

h. An Executive Participant may withdraw all or any portion of the funds in his Grantor Trust or Segregated Account at any time upon not less than sixty (60) days written notice to the Company

and to the Trustee or the financial institution with which the Segregated Account is established, as the case may be. In the event of any such withdrawal, subject to the last sentence of this paragraph h, (i) for purposes of paragraphs e, f, and g of this Section 4 the Executive Participant shall be deemed to have made a complete withdrawal of the funds in his Grantor Trust and Segregated Account at such time, (ii) no further contributions shall be made thereafter by the Company to the Executive Participant's Grantor Trust or Segregated Account until the time of the Executive Participant's termination of employment, at which time the final contribution or payment described in paragraph e of this Section 4 may be made by the Company, and (iii) no further payments pursuant to paragraph f of this Section 4 shall be made with respect to income of the Grantor Trust or Segregated Account. The Committee may determine, however, that, on the basis of

hardship, (A) the Executive Participant shall not be deemed to have withdrawn any amounts not actually withdrawn, and payments pursuant to paragraph f of this Section 4 shall continue to be made with respect to income of the Executive Participant's Grantor Trust or Segregated Account on amounts so determined not deemed to have been withdrawn and also may determine (independently of any determination pursuant to clause (A) of this sentence) that (B) notwithstanding such withdrawal, contributions by the Company to the Executive Participant's Grantor Trust or Segregated Account

shall continue to be made thereafter, as provided in paragraph e of this Section 4, until the time of the Executive Participant's termination of employment.

i. Benefits payable to an Executive Participant or Surviving Spouse or other beneficiary under Section 3.b. shall be offset by the pre-tax equivalent of amounts in the Executive Participant's Grantor Trust and Segregated Account at the time of the Executive Participant's termination of employment (except for any amounts which are attributable to amounts deemed withdrawn previously pursuant to paragraph h and income earned thereon), including any final contribution or payment pursuant to paragraph e, and by the present value of the pre-tax equivalent of any amounts withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust or Segregated Account, plus the amount of income which would have been earned on such withdrawn amounts from the time of withdrawal until the time of termination of employment, calculated by applying an earnings rate equal to the after tax equivalent of 120% of the applicable monthly immediate annuity purchase interest rate which would be used by the Pension Benefit Guaranty

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Corporation from time to time during such periods for the purpose of determining the present value of a single sum distribution on plan termination.

j. The Grantor Trust of an Executive Participant shall terminate

upon the actual or deemed withdrawal by the Executive Participant of all amounts in the Grantor Trust and in his Segregated Account. The Grantor Trust also shall terminate upon the expiration of sixty (60) days following the termination of employment of the Executive Participant, unless continued by agreement between the Executive Participant and the Trustee.

k. Upon the making of the final contribution or other payment pursuant to paragraph e, and the payment pursuant to paragraph f in respect of additional taxes resulting from such final contribution or payment, the Company shall have no further liability for benefits otherwise payable under Sections 3.b. to the Executive Participant or his Surviving Spouse, estate or other beneficiaries.

l. Subject to the provisions of Section 3b providing for the payment of benefits to the Surviving Spouse of the Executive Participant, the Executive Participant may designate a beneficiary to receive amounts held in his Grantor Trust or Segregated Account in the event of his death. The designation shall be made in a writing, filed with the Committee on a form approved by it and signed by the Executive Participant. The Committee shall notify the Trustee as to any such designation or changes therein.

m. The provisions of this Section 4 shall supersede the provisions of any other Section of this Plan to the extent such

other provisions might be considered to conflict with the provisions of this Section 4.

Section 5. Funding. Benefits under this Plan shall not initially be funded in order that the Plan may be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. The Committee shall, however, maintain records for the calculation of supplemental retirement benefits. The benefits under this Plan shall be paid from the general assets of the Company, or a Rabbi Trust or a Grantor Trust.

Section 6. Administration. This Plan shall be administered by the Committee. All decisions and interpretations of the Committee shall be conclusive and binding on the Company and Participants. The Plan may be amended or terminated by the Board of Directors of the Company at any time; provided, however, that no such amendment or termination shall deprive any Participant of supplemental retirement benefits with respect to a Participant who has retired or died prior to such amendment; and provided further, however, the Plan shall not be amended without approval of the stockholders of the Company if such amendment would materially increase the cost of the Plan to the Company.

Section 7. Nonassignability. Subject to Section 4, no Participant shall have the right to assign, pledge or otherwise dispose of any benefits payable to the Participant hereunder nor shall any Participant's benefit be subject to garnishment, attachment, transfer by operation of law, or any legal process.

THE FRANKLIN LIFE INSURANCE COMPANY

HOWARD C. HUMPHREY

TRUST AGREEMENT

THIS AGREEMENT, made as of the 16th day of December 1993, among HOWARD C. HUMPHREY, THE FRANKLIN LIFE INSURANCE COMPANY, an Illinois corporation (the "Company"), and BANK ONE, Springfield (State Association), incorporated under the laws of the State of Illinois (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company has incurred and expects to continue to incur certain retirement income liability to or with respect to HOWARD C. HUMPHREY (the "Executive") pursuant to the terms of the Company's Supplemental Retirement Plan (herein referred to as the "Plan"); and

WHEREAS, the Company desires to provide additional assurance to the Executive that his rights under the Plan will in the future be met or substantially met by application of the procedures set forth herein; and

WHEREAS, the Executive and the Company wish to establish with the Trustee a trust for the benefit of the Executive in order to provide a

source of payments of the benefits payable to the Executive under the terms of the Plan;

NOW, THEREFORE, in consideration of the premises and mutual and independent promises herein, the parties hereto covenant and agree as follows:

ARTICLE I

1.1 The Executive and the Company hereby establish with the Trustee a Trust consisting of such sums of money and such property acceptable to the Trustee as shall from time to time be paid or delivered to the Trustee by the Company and the earnings and profits thereon. All such money and property, all investments made therewith and proceeds thereof, less the payments or other distributions which, at the time of reference, shall have been made by the Trustee, as authorized herein, are referred to herein, as the "Fund" and shall be held by the Trustee, IN TRUST, in accordance with the provisions of this Agreement. The Trust shall be solely for the purpose of providing benefits under the Plan with respect to the Executive, and neither the Company nor any creditors of the Company shall have any interest in the Fund.

1.2 The Trustee shall hold, manage, invest and otherwise administer the Fund pursuant to the terms of this Agreement. The Trustee shall be responsible only for contributions actually received by it

hereunder and shall have no responsibility for the correctness of the amount thereof. Upon the establishment of the Trust, and from time to time thereafter, the Company shall contribute to the Trust, unless otherwise directed by the Executive to make such contributions to a segregated account established with the Trustee or other bank, trust company or other financial institution by or for the benefit of the Executive pursuant to the Plan ("Segregated Account"), such amount in cash as the Company shall determine to be appropriate to provide a source of the payments required under the terms of the Plan. Prior to the making of any contribution to

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the Trust, the Company shall have approved the establishment of a Segregated Account of the Executive, the terms and provisions thereof, and the bank, trust company or other financial institution with which such Segregated Account may be established. The initial contribution by the Company shall be in amount approximately equal to the present value of the after tax equivalent of the aggregate maximum benefits that would be due to the Executive as of such date under of the Plan, or such lesser amount as the Company shall determine. Unless there has been a withdrawal by the Executive from the Trust as provided in Section 2.4, or from the Executive's Segregated Account, as to which the Company has not determined otherwise, the Company will make additional annual contributions to the Trust or Segregated Account in amounts such that the amount of the Fund, together with the amount in the Executive's Segregated Account, at such time will be approximately equal to the present value of the after tax

equivalent of the Executive's accrued benefits under the Plan at that time, or in such lesser amounts as the Company shall determine. Unless the Trust has previously been terminated as a result of the Executive's actual or deemed withdrawal of all amounts in the Fund, as provided in Section 8.1 and in his Segregated Account, the Company also shall make a final contribution to the Trust as promptly as practicable after the Executive's termination of employment in an amount such that the amount of the Fund, together with the amount, if any, in the Executive's Segregated Account, except for any amounts which are attributable to amounts deemed withdrawn previously and income earned thereon, will be approximately equal to (i) the present value of the after tax equivalent of the Executive's accrued benefit under the Plan or, if the termination of employment is by reason of the death of the Executive, the spouses benefit payable under the Plan to the Executive's Surviving Spouse (as defined in the Plan), if any, reduced

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by (ii) the amounts of any actual withdrawals from the Fund or from the Executive's Segregated Account by the Executive as provided in Section 2.4 plus the income which would have been earned on such withdrawn amounts from the time of withdrawal to the time of the Executive's termination of employment, at a rate equal to 120% of the applicable monthly immediate annuity interest purchase rate which would be used by the Pension Benefit Guaranty Corporation from time to time during such period for the purpose of determining the present value of a single sum distribution on plan termination.

1.3 The Company shall certify to the Trustee and the Executive at the time of each contribution to the Fund the amount of such contribution being made in respect of the Executive's supplemental retirement benefit under the Plan. The Fund shall be revalued by the Trustee quarterly as of the last business day of each March, June, September and December, or at such other times as agreed to by the Company and the Trustee, at current market values, as determined by the Trustee, which shall promptly deliver a copy of such quarterly valuation to the Company and the Executive.

ARTICLE II

2.1 The Company shall act as Administrator of the Trust. Except for the records dealing solely with the Fund and its investment, which shall be maintained by the Trustee, the Company as Administrator shall maintain all the Executive's records contemplated by the Agreement, including records of the Executive's compensation and benefits from the

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Company, the amount of his benefits accrued under the Plan, the Company's contributions to the Fund, withdrawals from the Fund as provided in Section 2.4 or from the Executive's Segregated Account, the Executive's beneficiary designation and such other records as may be necessary for determining the amount payable to the Executive or his Surviving Spouse or other

beneficiary under the Plan. All such records shall be made available promptly upon the request of the Trustee or the Executive. In the event that the Executive's Segregated Account is not maintained with the Trustee, the Company shall give written notice to the Trustee as to the identity of the bank, trust company or other financial institution with which the Segregated Account is maintained. In such case, the Company also shall give notice to the Trustee in the event of a withdrawal by the Executive of any or all of the funds in his Segregated Account. Unless the Trust has previously terminated as provided in Section 8.1, the Company shall give written notice to the Trustee of the Executive's termination of employment, and as to whether such termination is by reason of the death of the Executive. The Company shall also prepare and distribute the Executive's annual estimated benefit statements specified in Section 2.2 and shall perform such other duties and responsibilities in connection with the administration of the Trust as the Company or the Trustee determines is necessary or advisable to achieve the objectives of this Agreement.

2.2 The Company as Administrator shall prepare an annual estimated benefits statement in respect of the Executive and shall furnish a copy of same to the Executive by no later than May 15 of each year.

2.3 The Company shall have full responsibility for the proper remittance of all withholding taxes on contributions by the Company

to the Trust to the appropriate taxing authority and shall furnish the

Executive with the appropriate tax information form reporting the amounts of such distributions and any withholding taxes. The Trustee shall have responsibility for the preparation and filing with the appropriate taxing authorities of all tax returns required to be filed for the Trust.

2.4 Subject to the next to the last sentence of Section 5.2, the Executive may withdraw all or any portion of the Fund, in cash or, to the extent practicable, in kind at any time upon written notice of not less than sixty (60) days to the Company and the Trustee. Prior to any such withdrawal, the Trustee shall notify the Company in writing of such withdrawal and the amount thereof, and as to whether or not such withdrawal is a complete withdrawal of all amounts in the Fund. In the event of an withdrawal by the Executive from his Segregated Account, the Company shall promptly notify the Trustee in writing of such withdrawal and the amount thereof, and as to whether or not such withdrawal is a complete withdrawal of all amounts in the Segregated Account. In the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, for the purposes of Sections 1.2 and 8.1 the Executive shall be deemed to have made a complete withdrawal of all amounts in the Fund and in his Segregated Account, unless the Company shall determine that the Executive shall not be deemed to have made such a complete withdrawal. The Company shall promptly notify the Trustee in writing of any such determination. Except as otherwise determined by the Company, in the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, no further contributions shall be made thereafter by the Company to the Trust until

the Executive's termination of employment, at which time if the Trust has not previously been terminated as a result of the Executive's actual or

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deemed withdrawal of all amounts in the Fund and in his Segregated Account a final contribution by the Company may be made as provided in Section 1.2.

2.5 The Executive may elect to transfer all or any portion of the Fund to his Segregated Account, in cash or, to the extent practicable, in kind, at any time upon written notice of not less than sixty (60) days to the Company and the Trustee and the financial institution with which the Segregated Account is established. The Executive also may elect to transfer funds, in cash, from his Segregated Account to the Trust upon written notice of not less than sixty (60) days to the Company and the Trustee, and funds so transferred shall be held by the Trustee as part of the Fund. Such transfers between the Fund and the Executive's Segregated Account shall not constitute withdrawals for purposes of Section 2.4.

2.6 The Executive may designate a beneficiary to receive all or any portion of the Fund in the event of his death. Such designation shall be in writing filed with the Company as Administrator on a form approved by it and signed by the Executive. The Company shall promptly notify the Trustee of any such beneficiary designation and any changes therein.

ARTICLE III

3.1 After the execution of this Agreement, the Company shall promptly file with the Trustee a certified list of the names and specimen signatures of the officers of the Company and any delegee authorized to act for it. The Company shall promptly notify the Trustee of the addition or deletion of any person's name to or from such list,

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respectively. Until receipt by the Trustee of notice that any person is no longer authorized so to act, the Trustee may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to the Trustee shall be in writing signed by such person or persons. The Trustee may rely on any such certification, notice or direction purporting to have been signed by or on behalf of such person or persons that the Trustee believes to have been signed thereby. The Trustee may rely on any certification, notice or direction of the Company that the Trustee believes to have been signed by a duly authorized officer or agent of the Company. The Trustee shall have no responsibility for acting or not acting in reliance upon any notification believed by the Trustee to have been so signed by a duly authorized officer or agent of the Company. The Company shall be responsible for keeping accurate books and records with respect to the Executive, his compensation and his rights and interests in the Fund under the Plan.

3.2 The Company shall indemnify and hold harmless the

Trustee for any liability or expenses, including without limitation advances for or prompt reimbursement of reasonable fees and expenses of counsel and other agents retained by it, incurred by the Trustee with respect to holding, managing, investing or otherwise administering the Fund, other than by reason of its negligence or willful misconduct.

ARTICLE IV

4.1 The Trustee shall not be liable in discharging its duties hereunder, including without limitation its duty to invest and

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reinvest the Fund, if it acts in good faith and in accordance with the terms of this Agreement including, without limitation, the making of any investment directed by the Executive or the Company, and any applicable federal or state laws, rules or regulations.

4.2 The Trustee is hereby appointed as the investment manager of the Fund. In the event that the Trustee cannot serve as investment manager of the Fund, the Trustee shall then select Pacific Investment Management Company as investment manager; provided that if Pacific Investment Management Company is unwilling or unable to act as investment manager, the Trustee shall select J.P. Morgan Investment Management Inc. as investment manager. The Investment Manager shall invest the assets of the Fund solely in (a) direct, unconditional obligations of a

solvent business corporation incorporated under the laws of the United States of America or any state of the United States of America; (b) direct long term obligations of the United States of America or an agency or instrumentality thereof, for the payment of money, or obligations for the payment of money to the extent guaranteed or insured as to the payment of principal and interest by the United States of America; (c) short term debt instruments which are direct obligations of the United States of America; (d) certificates of deposit of Bank One, Springfield; (e) commercial paper; and (f) any money market vehicle of similar quality and objectives as set forth below chosen by the Trustee.

Investments at the time of purchase must have predominant investment grade characteristics, carrying a Standard & Poor's Corporation bond rating of BBB- or better, and a Moody's Investment Services, Inc., bond rating of Baa3 or better. The overall average rating of the portfolio may not fall below A3 quality or above Aa2, using Moody's bond ratings, on a weighted

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basis. The average maturity of the Fund shall be maintained within the 8-15 year range, except for temporary periods the Fund may be predominantly in liquid short term instruments. Certificates of deposit with Bank One, Springfield are limited to maturities not exceeding six months and in no event at the time of purchase shall certificates of deposit with Bank One, Springfield exceed 10% of the aggregate market value of the Fund.

Commercial paper must carry a quality rating of A-1 from Standard & Poor's Corporation or P-1 from Moody's Investment Services, Inc. and be limited to

maturities of less than 61 days from the date of purchase. Short term direct obligations of the United States must be limited to maturities not exceeding 180 days from the date of purchase. The Investment Manager shall diversify the Fund's investments in a prudent manner, but in no event shall obligations of any one issuer (other than direct obligations of the United States of America or obligations for the payment of principal or interest by an agency or instrumentality of the United States of America) exceed in aggregate 25% of the market value of the Fund at the time of purchase. The Investment Manager may, at its discretion, invest in Bank One, Springfield managed co-mingled funds, providing such participations substantially meet the Fund's stated overall objectives. Subject to such investment restrictions, the Trustee shall have the power and right:

(a) To receive and hold all contributions made to it by the Company;

(b) To invest and reinvest all or any portion of the Fund collectively through the medium of any common, collective or commingled trust fund that may be established and maintained by the Trustee, subject to the instrument or instruments establishing such trust fund or funds and with the

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terms of such instrument or instruments, as from time to time amended, being incorporated into this Agreement to the extent of the equitable share of the Fund in any such common, collective or

commingled trust fund;

(c) To participate in and use a book-entry system for the deposit and transfer of securities;

(d) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(e) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(f) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof and any assessments levied with respect to any such property so deposited;

(g) To extend the time of payment of any obligation held by it;

(h) To hold uninvested any moneys received by it, without liability for interest thereon, until such moneys shall be invested, reinvested or disbursed;

(i) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(j) For the purposes of the Trust, to borrow money from others, including Bank One, Springfield, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;

(k) To furnish the Company and the Executive with such information as may be needed for tax or other purposes;

(l) To employ suitable agents and counsel, who may be counsel to the Company or the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;

(m) To cause any property held by it to be registered and held in the name of one or more nominees, with or without the addition of words

indicating that such securities are held in a fiduciary capacity, and to hold securities in bearer form;

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(n) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;

(o) To organize under the laws of any state a corporation or trust for the purpose of acquiring and holding title to any property which it is authorized to acquire hereunder and to exercise with respect thereto any or all of the powers set forth herein; and

(p) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem

necessary or desirable for the protection of the Fund.

4.3 No person dealing with the Trustee shall be under any obligation to see to the proper application of any money paid or property delivered to the Trustee or to inquire into the Trustee's authority as to any transaction.

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4.4 The Trustee shall distribute cash from the Fund in accordance with Article II and VIII hereof.

The Trustee may make any distribution required hereunder by mailing its check for the specified amount to the person to whom such distribution or payment is to be made, at such address as may be specified pursuant to Section 10.5, or if no such address shall have been so furnished, to such person in care of the Company, or (if so directed by the recipient) by crediting the account of such person or by transferring funds to such person's account by bank or wire transfer.

4.5 If at any time there is no person authorized to act under this Agreement on behalf of the Company, the Board of Directors of the Company shall have the authority to act hereunder.

ARTICLE V

5.1 The Executive, or in the event of the Executive's death the Executive's personal representative, shall be responsible for the payment of any federal, state or local taxes on the Fund, or any part thereof, and on the income therefrom, subject to the Company's obligation under the Plan to reimburse the Executive in respect of such taxes.

5.2 For all periods prior to the Executive's termination of employment, and for a period of sixty (60) days thereafter and for any further period as may be authorized by the Company, the Company shall pay to the Trustee its reasonable expenses for the management, investment and administration of the Fund, including without limitation advances for or

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prompt reimbursement of reasonable expenses of counsel and other agents employed by the Trustee, and reasonable compensation for its services as Trustee hereunder, the amount of which shall be agreed upon from time to time by the Company and the Trustee in writing; provided, however, that if the Trustee forwards an amended fee schedule to the Company requesting its agreement thereto and the Company fails to object thereto within thirty (30) days of its receipt, the amended fee schedule shall be deemed to be agreed upon by the Company and the Trustee. Such expenses and compensation shall be a charge on the Fund and shall constitute a lien in favor of the Trustee until paid by the Company.

ARTICLE VI

6.1 The Trustee shall maintain records with respect to the Fund that show all its receipts and disbursements hereunder. The records of the Trustee with respect to the Fund shall be open to inspection by the Company or its representatives and by the Executive at all reasonable times during normal business hours of the Trustee and may be audited not more frequently than once each fiscal year by an independent certified public accountant engaged by the Company; provided, however, the Trustee shall be entitled to additional compensation from the Company in respect of audits or auditors' requests which the Trustee determines to exceed the ordinary course of the usual scope of such examinations of its records.

6.2 Within a reasonable time after the close of each fiscal year of the Company (or, in the Trustee's discretion, at more frequent intervals), or of any termination of the duties of the Trustee hereunder,

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the Trustee shall prepare and deliver to the Company and the Executive a statement of transactions reflecting its acts and transactions as Trustee during such fiscal year, portion thereof or during such period from the close of the last fiscal year or last statement period to the termination of the Trustee's duties, respectively, including a statement of the then current value of the Fund. Any such statement shall be deemed an account stated and accepted and approved by the Company, and the Trustee shall be

relieved and discharged, as if such account had been settled and allowed by a judgment or decree of a court of competent jurisdiction, unless protested by written notice to the Trustee within sixty (60) days of receipt thereof by the Company or the Executive.

The Trustee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as herein provided or for the determination of any question of construction or for instructions. In any such action or proceeding it shall be necessary to join as parties only the Trustee, the Company and the Executive (although the Trustee may also join such other parties as it may deem appropriate), and any judgment or decree entered therein shall be conclusive.

ARTICLE VII

7.1 The Trustee may resign at any time by delivering written notice thereof to the Company and the Executive; provided, however, that no such resignation shall take effect until the earlier or (i) sixty (60) days

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from the date of delivery of such notice to the Company and the Executive or (ii) the appointment of a successor trustee.

7.2 The Trustee may be removed at any time by the Company, pursuant to a resolution of the Board of Directors of the Company, upon delivery to the Trustee of a certified copy of such resolution and sixty (60) days written notice to the Trustee and the Executive of (i) such removal and (ii) the appointment of a successor trustee, unless such notice period is waived in whole or in part by the Trustee and the Executive.

7.3 Upon the resignation or removal of the Trustee, a successor trustee shall be appointed by the Company. Such successor trustee shall be a bank or trust company established under the laws of the United States or a state within the United States and having either total assets (including assets of a bank holding company of which the bank is a member) of at least \$25 billion or trust assets of at least \$1 billion. Such appointment shall take effect upon the delivery to the Trustee and the Executive of (a) a written appointment of such successor trustee, duly executed, by the Company and (b) a written acceptance by such successor trustee, duly executed thereby. Any successor trustee shall have all the rights, powers and duties granted the Trustee hereunder.

7.4 If, within sixty (60) days of the delivery of the Trustee's written notice of resignation, a successor trustee shall not have been appointed, the Trustee shall apply to any court of competent jurisdiction for the appointment of a successor trustee.

7.5 Upon the resignation or removal of the Trustee and the appointment of a successor trustee, and after the acceptance and approval of its account, the Trustee shall transfer and deliver the Fund to such successor trustee. Under no circumstances shall the Trustee transfer or deliver the Fund to any successor trustee which is not a bank or trust company having either total assets (including assets of a bank holding company of which the bank is a member) of at least \$25 billion or trust assets of at least \$1 billion.

ARTICLE VIII

8.1 The Trust established pursuant to this Agreement shall terminate upon the actual or deemed withdrawal by the Executive of all amounts in the Fund, as provided in Section 2.4, and in the Executive's Segregated Account. The Trust also shall terminate upon the expiration of sixty (60) days following the Executive's termination of employment (by retirement or otherwise), unless the Trustee and the Executive agree to continue the Trust thereafter upon such terms as they may agree, but in the event of such continuation the Company shall have no further obligations under this Agreement with respect to matters relating to such continuation, including expenses and compensation of the Trustee, as provided in Section 5.2, and indemnification of the Trustee as provided in Section 3.2.

8.2 Upon the termination of the Trust by reason of the death of the Executive, or by reason of the Executive's termination of employment other than by death if the Trust has not been continued by agreement between the Trustee and the Executive, the Trustee shall distribute the

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Fund as directed by the Executive or, in the absence of such direction, shall distribute all of the Fund to the Executive's Segregated Account, if any, or if there is no such Segregated Account to the Executive, or in the event of the Executive's death his personal representative, after deducting therefrom any amounts owing to the Trustee under this Agreement which have not been paid by the Company. Upon any termination of the Trust in accordance with Article VIII, the Trustee shall, after the acceptance and approval of its account, be relieved and discharged. The powers of the Trustee, including the right to receive compensation for services and payment of expenses, as provided in Section 5.2, shall continue as long as any part of the Fund remains in its possession.

ARTICLE IX

9.1 This Agreement may be amended, in whole or in part, at any time and from time to time, by the Company with the written consent of the Executive and the Trustee. Any such amendment by the Company shall be pursuant to a resolution of the Board of Directors of the Company by

delivery to the Trustee of a certified copy of such resolution and a written instrument duly executed and acknowledged by the Company and the Executive in the same form as this Agreement.

ARTICLE X

10.1 This Agreement shall be construed and interpreted under, and the Trust hereby created shall be governed by, the laws of the

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State of Illinois insofar as such laws do not contravene any applicable federal laws, rules or regulations.

10.2 Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

10.3 This Agreement shall be binding upon and inure to the benefit of the Executive, his estate, personal representative, beneficiary, heirs and assigns. This Agreement also shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise and any subsequent successor thereto. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar

transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustee in writing of its successorship and furnish the Trustee with the information specified in Section 3.1 of this Agreement. In no event shall any such transaction described herein suspend or delay the rights of the Executive to receive benefits hereunder.

10.4 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one Agreement.

10.5 All notices and other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when actually delivered to the respective addresses set forth below:

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Company: The Franklin Life Insurance Company
#1 Franklin Square
Springfield, Illinois 62713
Attn: Senior Vice President
and General Counsel

Trustee: Bank One, Springfield
East Old State Capitol Plaza
Springfield, Illinois 62701

Executive: Howard C. Humphrey

R.R. #6

Springfield, Illinois 62707

or at such other address as such person may specify in writing by notice as set forth above to the other persons listed above.

ARTICLE XI

11.1 In consideration of the establishment of the Fund, Executive consents to the distribution from time to time of the assets of the trust established pursuant to the Trust Agreement made as of the 25th day of January, 1990, among the Company, The Marine Bank of Springfield and Milliman & Robertson established to provide a source of Executive's benefits under the Plan, in amounts to be used for the making of contributions to the Trust or Segregated Account of the Executive as

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provided in Section 1.2, or the making of payments to the Executive (or Surviving spouse or other beneficiary) pursuant to the Plan.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed this 16th day of December, 1993.

Attest: THE FRANKLIN LIFE INSURANCE COMPANY

Stephen P. Horvat, Jr. By James M. Quigley

Attest: BANK ONE SPRINGFIELD

Suzanne [Last name illegible] BY Michael W. Ference

Witness: HOWARD C. HUMPHREY

Stephen P. Horvat, Jr. Howard C. Humphrey

STATE OF ILLINOIS)
 : ss.:
COUNTY OF MACOUPIN)

Personally appeared JAMES M. QUIGLEY, Vice President, - Director of Human Resources of THE FRANKLIN LIFE INSURANCE COMPANY, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Vice President and the free act and deed of said Company before me.

Rose M. Lenn

Notary Public

Dated 24th January 1994

The Gallaher S Pension Scheme

Gallaher Limited

- and -

Gallaher Pensions Limited

Conformed Copy

D e e d

- amending -

the Definitive Deed and Rules
dated 24th March 1983

Simmons & Simmons
14 Dominion Street
London EC2M 2RJ
(Ref: 8/G.24515/MYM/8059B)

This Deed is made the 24th day of January 1994

- - - - -

BETWEEN:-

- - - - -

- (1) GALLAHER LIMITED (the "Company"), registered in England under No. 1501573; and
- (2) GALLAHER PENSIONS LIMITED (the "Trustee"), registered in England under No. 765844.

WHEREAS:-

- - - - -

- (A) This Deed is SUPPLEMENTAL (inter alia) to:-
 - (i) a trust deed (the "Definitive Deed") dated 24th March 1983 whereby the Company established THE GALLAHER S PENSION SCHEME (the "Scheme") and by which the rules of the Scheme (the "Rules") were adopted;
 - (ii) a deed of amendment and covenant dated 1st July 1986; and
 - (iii) eight deeds dated respectively 1st May 1984, 21st October 1985, 17th November 1986, 18th June 1987, 17th April 1989, 22nd May 1989, 24th October 1989 and 3rd June 1992 amending the Definitive Deed and the Rules.
- (B) The Trustee is the sole trustee of the Scheme.
- (C) By Clause 18 of the Definitive Deed (as amended by the deed dated 17th April 1989) the Company may, at any time and from time to time with the consent of the Trustee, by deed, alter, modify or add to any of the trusts, powers and provisions of the Definitive Deed and the Rules subject as provided in that Clause.

- (D) The Company wishes to alter, modify or add to the Definitive Deed and the Rules as provided below and the Trustee (as evidenced by it being a party to this Deed) consents to those alterations, modifications and additions being made.

Now This Deed provides that the Definitive Deed and the Rules are Hereby Altered, Modified or Added To as follows:-

1. By replacing Clause 6(a) with the following:

"The Trustee may hold all or any of the Fund in the name of any nominee or nominees upon such terms as to remuneration or otherwise as the Trustee shall decide."

2. By deleting the words "with such approval" from the second sentence of Clause 6(b) and by inserting after "to exercise all or any of the powers and discretions of the Trustee" in that sentence the following:

"(including, but without limitation, the power to sub-delegate)".

3. By replacing Clause 15(a) with the following:

"power to delegate, either generally or for any particular purpose, to any corporate body or committee any or all of their powers or discretions (including, but without limitation, the formation of any opinion and the power to sub-delegate) upon such terms as to remuneration or otherwise as the Trustee shall decide. The Trustee may not, however, delegate pursuant to this paragraph any power or discretion under Clause 5 except with the approval of the Company. The production of the Trustee's written authority shall be sufficient protection to any third party acting on it in good faith and without negligence. Unless a third party has received written notice of that authority having been revoked. He shall be entitled to assume and to act upon the assumption that the authority remains unrevoked"

4. By inserting "(1)" before "A Member may" at the beginning of Rule 3(b) and by adding the following new sub-Rule (2) at the end of Rule 3(b):

"(2) The Trustee shall comply with the requirements of Regulation 5 of The Retirement Benefits Schemes (Restriction on Discretion to Approve) (Additional Voluntary Contributions) Regulations 1993 (SI 1993/3016) and where the Scheme is the "leading scheme" in relation to a Member, with the requirements of Regulation 6 of these Regulations so far as they concern main schemes."

In Witness of which this Deed was duly executed the day and year first above written.

The Common Seal of Gallaher)
Limited was affixed to this)
deed in the presence of:-)

[Common Seal of Gallaher Limited]

J.P. Taylor
Director

B. Rudd
Secretary

The Common Seal of Gallaher)
Pensions Limited was)
affixed to this deed in the)
presence of:-)

[Common Seal of Gallaher
Pensions Limited]

N.P. Bulpitt
Director

M.P. Newberry
Secretary

JIM BEAM BRANDS CO.

AMENDED EXCESS BENEFIT PLAN

Section 1. Purpose. This Plan is an amendment and restatement, effective as of January 1, 1987, by Jim Beam Brands Co. (the "Company") of its Excess Benefit Plan. The Excess Benefit Plan is an unfunded excess benefit plan established pursuant to Section 4(5) of ERISA as well as an unfunded plan established for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA in order to induce employees of outstanding ability to join or continue in the employ of the Company and to increase their efforts for its welfare by providing them with supplemental retirement and profit-sharing benefits notwithstanding the limitations imposed by the Internal Revenue Code on retirement and profit-sharing benefits from tax qualified plans.

Section 2. Definitions. As used in this Plan, the following words shall have the following meanings:

(a) "Affiliated Employment" means employment by any corporation which, at the time of such employment, is or was an affiliate of the Company, or thereafter becomes or became an affiliate of the Company. "Affiliated Plan" means a defined benefit pension plan by which an employee of the Company had been covered during Affiliated Employment.

(b) "Allocation" means the Company contribution allocated to the accounts of a Profit-Sharing Plan member under the Profit-Sharing Plan for a Plan Year.

(c) "Committee" means the Retirement Committee of the Company.

(d) "Company" means Jim Beam Brands Co., a Delaware corporation, its successors and assigns.

(e) "Credited Service" means the period of an employee's employment with the Company.

(f) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(g) "Executive Participant" means an employee of the Company who is within the category of a select group of management or highly compensated employees as referred to in Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA and who either holds or held the office of a Vice President of the Company or any office senior thereto or, during the

current Plan Year or the prior Plan Year, was covered under the Jim Beam Brands Co. Executive Incentive Plan.

(h) "415 Limitations" means the Retirement Plan and Profit-Sharing Plan provisions adopted pursuant to Section 415 of the Internal Revenue Code to limit (i) annual Retirement Plan benefits pursuant to Section 415(b) thereof, (ii) annual additions to the Profit-Sharing Plan pursuant to Section 415(c) thereof and (iii) the aggregate of annual Retirement Plan benefits and additions to the Profit-Sharing Plan pursuant to Section 415(e) thereof.

(i) "401(a)(17) Limitations" means the Retirement Plan and Profit-Sharing Plan provisions adopted pursuant to Section 401(a)(17) of the Internal Revenue Code to limit compensation considered for purposes of computing Retirement Plan benefits and Profit-Sharing Plan contributions to \$150,000, effective as of January 1, 1994 (or such greater amount permitted for such year in accordance with Section 401(a)(17) of the Internal Revenue Code or the regulations promulgated by the Secretary of the Treasury or his delegate).

(j) "Grantor Trust" means a trust for the benefit of an Executive Participant established pursuant to Section 6 to provide for the payment of benefits under this Plan.

(k) "Highly Compensated Employee" means an employee or former employee of the Company who comes within the definition of a highly compensated employee set forth in Section 414(q) of the Internal Revenue Code (or any successor provision) for any Plan Year.

(l) "Highest Three-Year Average Earnings" means the total compensation of an employee paid in the three consecutive Plan Years within such employee's period of Service considered for purposes of computing his benefits hereunder that provide the highest aggregate of compensation divided by three.

(m) "Normal Retirement Date" means the last day of the calendar month in which a person's 65th birthday occurs.

(n) "Plan Year" means the calendar year.

(o) "Profit-Sharing Plan" means, effective as of January 1, 1994, the Jim Beam Brands Co. Profit-Sharing and 401(k) Savings Plan as amended from time to time.

(p) "Retirement Plan" means the Jim Beam Brands Co. Salaried (Non-Union) Employees' Pension Plan as amended from time to time.

(q) "Segregated Account" means an account established with a bank or other financial institution approved by the Company, or other form of segregated account approved by the Company, established pursuant to

Section 6 by or for the benefit of an Executive Participant to provide for the payment of benefits under this Plan.

(r) "Service" means the period of employment with the Company and Affiliated Employment.

(s) "Surviving Spouse" means the surviving husband or wife of an employee of the Company who has been married to the employee throughout the one-year period ending on the date of the death of such employee.

Section 3. Retirement Benefits.

(a) Each person who is a Highly Compensated Employee at the date of termination of employment or during the prior Plan Year and to whom benefits become payable under the Retirement Plan shall be paid a supplemental annual retirement benefit under this Plan equal in amount to the difference between (i) the benefit paid under the Retirement Plan and

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the Affiliated Plans and (ii) the benefit that would be payable if the 415 Limitations were not contained therein; provided, however, that the aggregate annual retirement benefits payable under this Plan, the Retirement Plan and the Affiliated Plans shall not exceed the lesser of \$225,000 or the Highly Compensated Employee's Highest Three-Year Average Earnings; and provided further, however, that for purposes of computing the amount of benefit under this Plan, years of Credited Service shall not exceed 35. If such a Highly Compensated Employee's Surviving Spouse is entitled to a pre-retirement spouse's benefit under the Retirement Plan, the Surviving Spouse shall be paid a benefit hereunder equal to the difference between (i) the spouse's benefit payable under the Retirement Plan and the Affiliated Plans and (ii) the spouse's benefit that would be payable if the 415 Limitations were not contained therein.

(b) Each person who is an Executive Participant at the date of termination of employment or during the prior Plan Year to whom benefits become payable under the Retirement Plan shall be paid a supplemental annual retirement benefit under this Plan equal in amount to the difference between (i) the benefit paid under the Retirement Plan and the Affiliated Plans and (ii) the benefit that would be payable if the 401(a)(17) Limitations and the 415 Limitations were not contained therein; provided, however, that the aggregate annual retirement benefits payable under this Plan, the Retirement Plan and the Affiliated Plans shall not exceed the lesser of \$225,000 or the Executive Participant's Highest Three-Year Average Earnings; and provided further, however, that for purposes of computing the amount of benefit under this Plan, years of Credited Service shall not exceed 35. If such an Executive Participant's Surviving Spouse is entitled to a pre-retirement spouse's benefit under the Retirement Plan and subject to Section 6, the Surviving Spouse shall be paid a benefit hereunder equal to

the difference between (i) the spouse's benefit payable under the Retirement Plan and the Affiliated Plans and (ii) the spouse's benefit that would be payable if the 401(a)(17) Limitations and the 415 Limitations were not contained therein.

(c) Subject to Section 6, the supplemental retirement benefits provided by this Plan shall be paid to the Executive Participant or Highly Compensated Employee (or to any beneficiary designated by him in accordance with the Retirement Plan, or to his Surviving Spouse if eligible for a spouse's benefit under the Retirement Plan) concurrently with the payment of the benefits payable under the Retirement Plan and in a form permitted thereby. In the event the supplemental retirement benefit commences prior to Normal Retirement Date or is payable in a form other than an annuity for the life of the former employee only, the supplemental retirement benefit shall be adjusted to the same extent as under the Retirement Plan. The Committee may, however, direct that the supplemental retirement benefit payable with respect to a former employee be paid as an actuarially equivalent single sum payment, provided that (except for a distribution to pay taxes as provided in Section 5 and except as provided in Section 6) no such payment may be made prior to termination of Service or prior to the date that benefits may become payable under the Retirement Plan. In determining actuarial equivalency of a single sum payment in cash, there shall be used the interest rate which would be used by the Pension Benefit Guaranty Corporation for the month preceding the month for which the determination is required for the purpose of determining the present value

of a single sum distribution on plan termination and the UP-1984 unisex mortality table.

Section 4. Supplemental Profit-Sharing Benefits.

(a) In the event that the Allocation under the Profit-Sharing Plan is limited by the 415 Limitations for 1987 or any subsequent Plan Year for a Highly Compensated Employee, the Highly Compensated Employee shall receive a supplemental profit-sharing award under this Plan for such Plan Year equal to the difference between (i) the Allocation actually made for the Highly Compensated Employee to the Profit-Sharing Plan for such Plan Year and (ii) the Allocation that would have been made to the Profit-Sharing Plan for such Plan Year if the 415 Limitations were not contained therein.

(b) In the event that the Allocation under the Profit-Sharing Plan is limited by the 401(a)(17) Limitations and the 415 Limitations for 1987 or any subsequent Plan Year for an Executive Participant, the Executive Participant shall receive a supplemental profit-sharing award under this Plan for such Plan Year equal to the difference between (i) the Allocation actually made to the Executive Participant and (ii) the

Allocation that would have been made to the Profit-Sharing Plan for such Plan Year if the 401(a)(17) Limitations and the 415 Limitations were not contained therein.

(c) Except as provided in Section 6, the award for any Plan Year shall be made as of the first day of the following year and shall be deemed to be thereafter invested in an interest bearing investment selected by the Committee. The amount of a Highly Compensated Employee's or Executive Participant's supplemental profit-sharing benefits under this Plan shall be the aggregate amount of such awards together with any deemed investment gain thereon and less any deemed investment loss.

(d) Supplemental profit-sharing awards and deemed investment gain thereon shall be fully vested and nonforfeitable.

(e) Supplemental profit-sharing plan benefits shall be paid by a single sum payment as soon as practicable following termination of employment, subject to Section 6.

(f) Except as provided in Section 6, a Highly Compensated Employee or Executive Participant may designate a beneficiary to receive the unpaid portion of his supplemental profit-sharing benefits in the event of his death. The designation shall be made in a writing filed with the Committee on a form approved by it signed by the Highly Compensated Employee or Executive Participant. If no effective designation of beneficiary shall be on file with the Committee when supplemental profit-sharing benefits would otherwise be distributable to a beneficiary, then such benefits shall be distributed to the spouse of the Highly Compensated Employee or Executive Participant or, if there is no spouse, to the executor of the will or the administrator of his estate or, if no such executor or administrator shall be appointed within six months after his death, the Committee shall direct that distribution be made, in such shares as the Committee shall determine, to the child, parent or other blood relative of such Highly Compensated Employee or Executive Participant or to such other person or persons as the Committee may determine.

Section 5. Funding. Benefits under this Plan shall not be funded in order that the Plan may be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. The Committee shall maintain records of supplemental profit-sharing awards and the assumed investment thereof and records for the calculation of supplemental retirement benefits. The Company may, however, segregate assets which are intended to be a source for payment of benefits hereunder for Executive Participants. In the event benefits are hereafter determined to be taxable for Executive Participants prior to actual receipt thereof, a payment shall be made to such Executive Participants in an amount sufficient to pay such taxes notwithstanding that the Executive Participant may not then have terminated Service or that the payment is being made prior to the date that benefits would otherwise be

paid under the Retirement Plan. Amounts so paid shall then be used as an offset to the supplemental retirement and profit-sharing benefits, if any, thereafter payable which shall also be paid in an actuarially equivalent lump sum (calculated as set forth in Section 3(c)) promptly upon the later of termination of Service or attainment of age 55.

Section 6. Grantor Trusts and Segregated Accounts.

Notwithstanding Section 5 of this Plan, the Company may provide for the establishment of Grantor Trusts and Segregated Accounts by or for the benefit of individual Executive Participants to provide for the payment of benefits under this Plan, consistent with the following provisions:

(a) The Trustee of the Grantor Trusts shall be a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion. Each Grantor Trust shall be established pursuant to a trust agreement having terms and provisions approved by the Company and consistent with this Section. The Grantor Trust shall be solely for the purpose of providing benefits under the Plan with respect to the Executive Participant, and neither the Company nor any creditors of the Company shall have any interest in the assets of the Grantor Trust. The Company shall be the administrator of the Grantor Trust, and shall have such powers as are granted by the trust agreement.

(b) The Company shall pay the fees and expenses of the Trustee and all the expenses for the management and administration of each Grantor Trust and Segregated Account for all periods prior to the Executive Participant's termination of employment, and for a period of sixty (60) days thereafter and for any further period as may be authorized by the Company, and shall indemnify the Executive Participant against any liability or cost in respect thereof, including any tax liabilities or costs.

(c) Each Segregated Account shall be a savings or other type of account approved by the Company established with a bank or trust company approved by the Company and established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion, or other form of segregated account with such a bank or trust company or other financial institution approved by the Company, in each case with such terms and provisions as are approved by the Company and consistent with this Section.

(d) The Company may from time to time make contributions to either the Grantor Trust, or Segregated Account if directed by an Executive Participant, in amounts which when added to the existing balances in the

Executive Participant's Grantor Trust and Segregated Account will be approximately equal to the present value of the after tax equivalent of the Executive Participant's accrued benefits under Sections 3 and 4.

(e) Unless the Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as provided in paragraph (l) of this Section 6, as promptly as practicable after the Executive Participant's termination of employment, whether by retirement, death or otherwise, the Company may make a final contribution to the Executive Participant's Grantor Trust, or Segregated Account if directed by the Executive Participant, in an amount which when added to the existing balances in the Executive Participant's Grantor Trust and Segregated Account, except for any balances which are attributable to amounts deemed withdrawn previously and the income earned thereon, will be equal to (i) the sum of the present value of the after tax equivalent of (A) if the termination of employment is not by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3, or if the termination of employment is by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3 immediately prior to his death and (B) the Executive Participant's supplemental profit-sharing benefit under Section 4, offset by (ii) any amounts previously actually withdrawn by the Executive Participant from his Grantor Trust or Segregated Account and income which would have been earned thereon, calculated as provided in paragraph (k) of this Section 6. If prior to the Executive Participant's termination of employment his Grantor Trust has previously been terminated as a result of the Executive Participant's actual or deemed withdrawal of all amounts in his Grantor Trust and Segregated Account, as promptly as practicable following such termination of employment the Company may make a final payment to the Executive Participant, or in the event of the death of the Executive Participant his personal representative, in an amount equal to (i) the sum of the present value of the after tax equivalent of (A) if the termination of employment is not by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3, or if the termination of employment is by reason of the death of the Executive Participant, the Executive Participant's benefit under Section 3 immediately prior to his death and (B) the Executive Participant's supplemental profit-sharing benefit under Section 4, offset by (ii) the amounts previously withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust and Segregated Account and income which would have been earned thereon, calculated as provided in paragraph (k) of this Section 6.

(f) Amounts in a Grantor Trust or Segregated Account shall be invested separately as to amounts representing the Executive Participant's supplemental retirement benefit under Section 3 and the Executive Participant's supplemental profit-sharing benefit under Section 4. Supplemental retirement benefit amounts invested in a Grantor Trust shall be invested solely in the Chase Manhattan Fixed Income Fund to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. Supplemental profit-sharing benefit amounts invested in a Grantor

Trust shall be invested in one or more of (i) the Vista U.S. Government Income Fund, (ii) the Vista Balanced Fund, (iii) the Chase Manhattan

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Personal Trust Market Rate Account or (iv) the Chase Manhattan Equity Income Fund, in such portions as are elected by the Executive Participant on a written election form approved by and filed with the Committee, all to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. The Executive Participant may change such election at any time by filing a new written election form with the Committee. The Committee shall promptly notify the Trustee as to any such elections or changes therein. Supplemental retirement benefit amounts and supplemental profit-sharing benefit amounts invested in a Segregated Account shall be invested solely in the Chase Manhattan Personal Trust Market Rate Account. In lieu of the calculation of investment gain or loss on supplemental profit-sharing awards prescribed by Section 4(c), an Executive Participant's profit-sharing benefit under Section 4 shall include the actual investment gain or loss on supplemental profit-sharing benefit amounts invested in accordance with this paragraph (f) (and not deemed withdrawn pursuant to paragraph (j) of this Section 6).

(g) The Executive Participant may designate a beneficiary to receive amounts held in his Grantor Trust in the event of his death. The designation shall be made in a writing filed with the Committee on a form approved by it and signed by the Executive Participant. The Committee shall notify the Trustee as to any such designation or changes therein. The provisions of Section 3(b) and (c) and Section 4(f), providing for the payment of benefits to the Surviving Spouse of the Executive Participant, or other person designated by the Executive Participant or the Committee, in the event of the death of the Executive Participant, shall not apply to amounts in the Executive Participant's Grantor Trust or Segregated Account.

(h) The Company shall make payments to the Executive Participant (or his beneficiary) from time to time in the approximate amounts required to compensate the Executive Participant (or his beneficiary) for additional federal, state and local taxes on income resulting from the inclusion in the Executive Participant's or beneficiary's taxable income of contributions to the Executive Participant's Grantor Trust and Segregated Account, the final payment pursuant to paragraph (e) of this Section 6 if the Grantor Trust has been terminated prior to the Executive Participant's termination of employment, and the income of the Grantor Trust and Segregated Account for periods prior to termination of employment (including amounts paid by the Company pursuant to paragraphs (b) and (e)) of this Section 6.

(i) An Executive Participant may elect to transfer all or any portion of the funds in his Grantor Trust to his Segregated Account, or to transfer all or any portion of the funds in his Segregated Account to his Grantor Trust, upon written notice of not less than sixty (60) days to the

Company and the Trustee and the financial institution with which the Segregated Account is established.

(j) An Executive Participant may withdraw all or any portion of the funds in his Grantor Trust or Segregated Account at any time upon not less than sixty (60) days written notice to the Company and to the Trustee, or the financial institution with which the Segregated Account is established, as the case may be. In the event of any such withdrawal, subject to the last sentence of this paragraph (j), (i) for purposes of paragraphs (e), (f), (h), (k) and (l) of this Section 6 the Executive Participant shall be deemed to have made a complete withdrawal of the funds

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in his Grantor Trust and Segregated Account at such time, (ii) no further contributions shall be made thereafter by the Company to the Executive Participant's Grantor Trust or Segregated Account until the time of the Executive Participant's termination of employment, at which time the final contribution or payment described in paragraph (e) of this Section 6 may be made by the Company, and (iii) no further payments pursuant to paragraph (h) of this Section 6 shall be made with respect to income of the Grantor Trust or Segregated Account. The Compensation and Stock Option Committee of American Brands, Inc., in the case of a Participant who is the Chief Executive Officer of the Company, and the Corporate Employee Benefits Committee of American Brands, Inc. in the case of all other Participants, may determine, however, that, on the basis of hardship, (A) the Executive Participant shall not be deemed to have withdrawn any amounts not actually withdrawn, and payments pursuant to paragraph (h) of this Section 6 shall continue to be made with respect to income of the Executive Participant's Grantor Trust or Segregated Account on amounts so determined not deemed to have been withdrawn, and also may determine (independently of any determination pursuant to clause (A) of this sentence) that (B) notwithstanding such withdrawal, contributions by the Company to the Executive Participant's Grantor Trust or Segregated Account shall continue to be made thereafter, as provided in paragraph (e) of this Section 6, until the time of the Executive Participant's termination of employment.

(k) Benefits payable to an Executive Participant or Surviving Spouse or other beneficiary under Sections 3 and 4 shall be offset by the pre-tax equivalent of amounts in the Executive Participant's Grantor Trust and Segregated Account at the time of the Executive Participant's termination of employment (except for any amounts which are attributable to amounts deemed withdrawn previously pursuant to paragraph (j) of this Section 6 and the income earned thereon), including any final contribution or payment pursuant to paragraph (e) of this Section 6, and by the present value of the pre-tax equivalent of any amounts withdrawn or deemed withdrawn by the Executive Participant from his Grantor Trust or Segregated Account, plus the amounts of income which would have been earned on such withdrawn amounts from the time of withdrawal until the time of termination of employment, calculated by applying an earnings rate equal to the after

tax equivalent of 120% of the applicable monthly immediate annuity purchase interest rate which would be used by the Pension Benefit Guaranty Corporation from time to time during such periods for the purpose of determining the present value of a single sum distribution on plan termination.

(l) The Grantor Trust of an Executive Participant shall terminate upon the actual or deemed withdrawal by the Executive Participant of all amounts in the Grantor Trust and in his Segregated Account. The Grantor Trust also shall terminate upon the expiration of sixty (60) days following the termination of employment of the Executive Participant, unless continued by agreement between the Executive Participant and the Trustee.

(m) Upon the making of the final contribution or other payment pursuant to paragraph (e) of this Section 6, and the payment pursuant to paragraph (h) of this Section 6 in respect of additional taxes resulting from such final contribution or payment, the Company shall have no further liability for benefits otherwise payable under Sections 3 and 4 to the

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Executive Participant or his Surviving Spouse, estate or other beneficiaries.

(n) The provisions of this Section 6 shall supersede the provisions of any other Section of this Plan to the extent such other provisions might be considered to conflict with the provisions of this Section 6.

Section 7. Administration. This Plan shall be administered by the Committee. All decisions and interpretations of the Committee shall be conclusive and binding on the Company and Highly Compensated Employees and Executive Participants. The Plan may be amended or terminated by the Board of Directors of the Company at any time; provided, however, that no such amendment or termination shall deprive any Highly Compensated Employee or Executive Participant of supplemental retirement or profit-sharing plan benefits accrued to the date of such amendment or termination or modify the last two sentences of Section 5 in a manner adverse to any Executive Participant.

Section 8. Nonassignability. No Highly Compensated Employee or Executive Participant shall have the right to assign, pledge or otherwise dispose of any benefits payable to him hereunder nor shall any benefit hereunder be subject to garnishment, attachment, transfer by operation of law, or any legal process.

AMENDMENT TO TRUST AGREEMENT

THIS AMENDMENT, made as of the 17th day of November, 1993, among JIM BEAM BRANDS CO., a Delaware corporation (the "Company"), THE CHASE MANHATTAN BANK (National Association), incorporated under the laws of the United States of America (the "Trustee") and HEWITT ASSOCIATES, a partnership formed under the laws of Illinois ("Hewitt")

W I T N E S S E T H :

WHEREAS, the Company and the Trustee have entered into a Trust Agreement for the purpose of establishing a trust in order to provide a source of benefits under the terms of the Company's Excess Benefit Plan for the benefit of Barry M. Berish and Hewitt is designated as Trustee's Contractor thereunder; and

WHEREAS, the Trust Agreement sets forth the permitted investments of the assets held thereunder and it is desired to change the permitted investments;

NOW, THEREFORE, in consideration of the premises, the parties agree that the third sentence of Section 5.2 of the Trust Agreement is hereby amended to read as follows:

"The investment manager shall invest the assets of the Fund solely in The Chase Manhattan Bank Fixed Income Fund to the extent practicable and otherwise in The Chase Manhattan Bank Personal Trust Market Rate Account."

IN WITNESS WHEREOF, the parties have caused this AMENDMENT to be duly executed as of the day and year first written above.

JIM BEAM BRANDS CO.

Attest:

Theresa B. Fealey

Secretary

David C. Wagner
By-----
David C. Wagner
Vice President, Administration

THE CHASE MANHATTAN BANK

Attest:

Mark J. Altschuler
- -----
Vice President

William P. Barbeosch
By-----
William P. Barbeosch
Vice President

HEWITT ASSOCIATES

Witness:

Jill Bloom
- -----

C.L. Connolly, III
By-----

I hereby consent to the foregoing AMENDMENT.

Witness:

David C. Wagner
- -----

Barry M. Berish

Barry M. Berish

STATE OF ILLINOIS)
: ss.: 10th, -December, 1993
COUNTY OF COOK)

Personally appeared David C. Wagner, Vice President of JIM BEAM BRANDS CO., signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Vice President and the free act and deed of said Corporation, before me.

Ann Nell G. Koktzoglou

Notary Public

STATE OF NEW YORK)
: ss.: New York, NY-December 27, 1993
COUNTY OF NEW YORK)

Personally appeared William P. Barbeosch, Vice President of THE CHASE MANHATTAN BANK, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Vice President and the free act and deed of said Company, before me.

Kamla Jaipal

Notary Public

STATE OF ILLINOIS)

: ss.:

, -December 21, 1993

COUNTY OF LAKE)

Personally appeared C. Lawrence Connolly, III, of HEWITT ASSOCIATES, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed as such Partner and the free act and deed of said Partnership, before me.

Gail K. Nelson

Notary Public

STATE OF ILLINOIS)

: ss.:

10th, -December, 1993

COUNTY OF COOK)

Personally appeared Barry M. Berish, signer of the foregoing instrument, and acknowledged the same to be his free act and deed, before me.

Ann Nell G. Koktzoglou

Notary Public

Jim Beam Brands Co.
BARRY M. BERISH

TRUST AGREEMENT

THIS AGREEMENT, made as of the 15th day of December, 1993, among BARRY M. BERISH, JIM BEAM BRANDS CO., a Delaware corporation (the "Company"), and THE CHASE MANHATTAN BANK (National Association), incorporated under the laws of the United States of America (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company has incurred and expects to continue to incur certain retirement income liability to or with respect to BARRY M. BERISH (the "Executive") pursuant to the terms of the Company's Excess Benefit Plan (including the supplemental profit-sharing provisions therein) (herein referred to as the "Plan"); and

WHEREAS, the Company desires to provide additional assurance to the Executive that his rights under the Plan will in the future be met or substantially met by application of the procedures set forth herein; and

WHEREAS, the Executive and the Company wish to establish

with the Trustee a trust for the benefit of the Executive in order to provide a source of payments of the benefits payable to the Executive under the terms of the Plan;

NOW, THEREFORE, in consideration of the premises and mutual and independent promises herein, the parties hereto covenant and agree as follows:

ARTICLE I

1.1 The Executive and the Company hereby establish with the Trustee a Trust consisting of such sums of money and such property acceptable to the Trustee as shall from time to time be paid or delivered to the Trustee by the Company and the earnings and profits thereon. All such money and property, all investments made therewith and proceeds thereof, less the payments or other distributions which, at the time of reference, shall have been made by the Trustee, as authorized herein, are referred to herein as the "Fund" and shall be held by the Trustee, IN TRUST, in accordance with the provisions of this Agreement. The Trust shall be solely for the purpose of providing benefits under the Plan with respect to the Executive, and neither the Company nor any creditors of the Company shall have any interest in the Fund.

1.2 The Trustee shall hold, manage, invest and otherwise administer the Fund pursuant to the terms of this Agreement. The Trustee shall be responsible only for contributions actually received

by it hereunder and shall have no responsibility for the correctness of the amount thereof. Upon the establishment of this Trust, and from time to time thereafter, the Company may contribute to the Trust, unless otherwise directed by the Executive to make such contributions to a segregated account established with the Trustee or other bank, trust company or other financial institution by or for the benefit of

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the Executive pursuant to the Plan ("Segregated Account"), such amount in cash as the Company shall determine to be appropriate to provide a source of the payments required under the terms of the Plan. Prior to the making of any contribution to the Trust, the Company shall have approved the establishment of a Segregated Account of the Executive, the terms and provisions thereof, and the bank, trust company or other financial institution with which such Segregated Account may be established. The initial contribution by the Company shall be in an amount approximately equal to the present value of the after tax equivalent of the aggregate maximum benefits that would be due to the Executive as of such date under the retirement and profit-sharing provisions of the Plan, or such lesser amount as the Company shall determine. Unless there has been a withdrawal by the Executive from the Trust as provided in Section 2.4, or from the Executive's Segregated Account, as to which the Compensation and Stock Option Committee of American Brands, Inc. has not determined otherwise, the Company will make additional annual contributions to the Trust or

Segregated Account in amounts such that the amount of the Fund, together with the amount in the Executive's Segregated Account, at such time will be approximately equal to the present value of the after tax equivalent of the Executive's accrued benefits under the Plan at that time, or in such lesser amounts as the Company shall determine. Unless the Trust has previously been terminated as a result of the Executive's actual or deemed withdrawal of all amounts in the Fund, as provided in Section 8.1, and in his Segregated Account, the Company also may make a final contribution to the Trust as promptly as practicable after the Executive's termination of employment in an amount such that the amount of the Fund, together

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with the amount, if any, in the Executive's Segregated Account, except for any amounts which are attributable to amounts deemed withdrawn previously and the income earned thereon, will be equal to (i) the sum of the present value of the after tax equivalent of (x) the Executive's benefit under the supplemental retirement provisions of the Plan or, if the termination of employment is by reason of the death of the Executive, the Executive's benefit under the supplemental retirement provisions of the Plan immediately prior to his death and (y) the Executive's supplemental profit-sharing benefit under the Plan, reduced by (ii) the amounts of any actual withdrawals from the Fund or from the Executive's Segregated Account by the Executive as provided in Section 2.4 plus the income which would have been earned on such withdrawn amounts from the time of withdrawal to the time of

the Executive's termination of employment, at a rate equal to the after tax equivalent of 120% of the applicable monthly immediate annuity interest purchase rate which would be used by the Pension Benefit Guaranty Corporation from time to time during such period for the purpose of determining the present value of a single sum distribution on plan termination.

1.3 The Company shall certify to the Trustee and the Executive at the time of each contribution to the Fund the amount of such contribution being made in respect of the Executive's supplemental retirement benefit under the Plan and the amount being made in respect of the Executive's supplemental profit-sharing benefit. The Fund shall be revalued by the Trustee quarterly as of the last business day of each March, June, September and December, or at such other times as agreed to by the Company and the Trustee, at

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current market values, as determined by the Trustee, which shall deliver as soon as practicable a copy of such quarterly valuation to the Company and the Executive.

ARTICLE II

2.1 The Company shall act as Administrator of the Trust. Except for the records dealing solely with the Fund and its investment, which shall be maintained by the Trustee, the Company as

Administrator shall maintain all the Executive's records contemplated by this Agreement, including records of the Executive's compensation and benefits from the Company, the amount of his benefits accrued under the Plan, the Company's contributions to the Fund, withdrawals from the Fund as provided in Section 2.4 or from the Executive's Segregated Account, the Executive's beneficiary designation and such other records as may be necessary for determining the amount payable to the Executive or his Surviving Spouse or other beneficiary under the Plan. All such records shall be made available promptly upon the request of the Executive. In the event that the Executive's Segregated Account is not maintained with the Trustee, the Company shall give written notice to the Trustee as to the identity of the bank, trust company or other financial institution with which the Segregated Account is maintained. In such case, the Company also shall give notice to the Trustee in the event of a withdrawal by the Executive of any or all of the funds in his Segregated Account. Unless the Trust has previously been terminated as provided in Section 8.1, the Company shall give written notice to the Trustee of the Executive's termination of employment, and as to whether such termination is by reason of the death of the Executive. The Company

as Administrator shall also prepare and distribute the Executive's annual estimated benefit statements specified in Section 2.2 and shall perform such other duties and responsibilities in connection with the administration of the Trust as the Company or the Trustee determines

is necessary or advisable to achieve the objectives of this Agreement.

2.2 The Company as Administrator shall prepare an annual estimated benefits statement in respect of the Executive and shall furnish a copy of same to the Executive by no later than May 15 of each year.

2.3 The Company shall have full responsibility for the proper remittance of all withholding taxes on contributions by the Company to the Trust to the appropriate taxing authority and shall furnish the Executive with the appropriate tax information form reporting the amounts of such contributions and any withholding taxes. The Trustee shall have the responsibility for the preparation and filing with the appropriate taxing authorities of all tax returns required to be filed for the Trust.

2.4 Subject to the next to the last sentence of Section 5.2, the Executive may withdraw all or any portion of the Fund, in cash or, to the extent practicable, in kind at any time upon written notice of not less than sixty (60) days to the Company and the Trustee. Prior to any such withdrawal, the Trustee shall notify the Company in writing of such withdrawal and the amount thereof, and as to whether or not such withdrawal is a complete withdrawal of all amounts in the Fund. In the event of any withdrawal by the Executive

from his Segregated Account, the Company shall promptly notify the Trustee in writing of such withdrawal and the amount thereof, and as to whether or not such withdrawal is a complete withdrawal of all amounts in the Segregated Account. In the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, for purposes of Sections 1.2 and 8.1 the Executive shall be deemed to have made a complete withdrawal of all amounts in the Fund and in his Segregated Account, unless the Compensation and Stock Option Committee of American Brands, Inc. shall determine that the Executive shall not be deemed to have made such a complete withdrawal. The Company shall promptly notify the Trustee in writing of any such determination. Except as otherwise determined by the Compensation and Stock Option Committee of American Brands, Inc., in the event of any such withdrawal from the Fund, or from the Executive's Segregated Account, no further contributions shall be made thereafter by the Company to the Trust until the Executive's termination of employment, at which time if the Trust has not previously been terminated as a result of the Executive's actual or deemed withdrawal of all amounts in the Fund and in his Segregated Account a final contribution by the Company may be made as provided in Section 1.2.

2.5 The Executive may elect to transfer all or any portion of the Fund to his Segregated Account, in cash or, to the extent practicable, in kind, at any time upon written notice of not less than sixty (60) days to the Company and the Trustee and the financial

institution with which the Segregated Account is established. The Executive also may elect to transfer funds, in cash, from his Segregated Account to the Trust upon written notice of not less than

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sixty (60) days to the Company and the Trustee, and funds so transferred shall be held by the Trustee as part of the Fund. Such transfers between the Fund and the Executive's Segregated Account shall not constitute withdrawals for purposes of Section 2.4.

2.6 The Executive may designate a beneficiary to receive all or any portion of the Fund in the event of his death. Such designation shall be in writing filed with the Company as Administrator on a form approved by it and signed by the Executive. The Company shall promptly notify the Trustee of any such beneficiary designation and any changes therein.

ARTICLE III

3.1 After the execution of this Agreement, the Company shall promptly file with the Trustee a certified list of the names and specimen signatures of the officers of the Company and any delegate authorized to act for it. The Company shall promptly notify the Trustee of the addition or deletion of any person's name to or from such list, respectively. Until receipt by the Trustee of notice that any person is no longer authorized so to act, the Trustee may continue

to rely on the authority of the person. All certifications, notices and directions by any such person or persons to the Trustee shall be in writing signed by such person or persons. The Trustee may rely on any such certification, notice or direction purporting to have been signed by or on behalf of such person or persons that the Trustee believes to have been signed thereby. The Trustee may rely on any certification, notice or direction of the Company that the Trustee believes to have been signed by a duly authorized officer or agent of

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the Company. The Trustee shall have no responsibility for acting or not acting in reliance upon any notification believed by the Trustee to have been so signed by a duly authorized officer or agent of the Company. The Company shall be responsible for keeping accurate books and records with respect to the Executive, his compensation and his rights and interests in the Fund under the Plan.

3.2 The Company shall indemnify and hold harmless the Trustee for any liability or expenses, including without limitation advances for or prompt reimbursement of reasonable fees and expenses of counsel and other agents retained by it, incurred by the Trustee with respect to holding, managing, investing or otherwise administering the Fund, other than by reason of its negligence or willful misconduct.

ARTICLE IV

4.1 The Trustee shall not be liable in discharging its duties hereunder, including without limitation its duty to invest and reinvest the Fund, if it acts in good faith and in accordance with the terms of this Agreement including, without limitation, the making of any investment directed by the Executive, the Company or an investment manager other than the Trustee, and any applicable federal or state laws, rules or regulations.

4.2 The Trustee is hereby appointed as the investment manager of the Fund. In the event that the Trustee cannot serve as investment manager of the Fund, the Trustee shall then select Pacific Investment Management Company as investment manager; provided that if

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Pacific Investment Management Company is unwilling or unable to act as investment manager, the Trustee shall select J.P. Morgan Investment Management Inc. as investment manager. The investment manager shall invest the assets of the Fund separately as to amounts representing the Executive's supplemental retirement benefit under the Plan and amounts representing the Executive's supplemental profit-sharing benefit. Supplemental retirement benefit amounts shall be invested solely in the Chase Manhattan Fixed Income Fund to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account. Supplemental profit-sharing benefit amounts shall be invested in one or more of (i) the Vista U.S. Government Income Fund,

(ii) the Vista Balanced Fund, (iii) the Chase Manhattan Personal Trust Market Rate Account or (iv) the Chase Manhattan Equity Income Fund, in such portions as are elected by the Executive by written election filed with the Company and notified to the Trustee by the Company, all to the extent practicable and otherwise in the Chase Manhattan Personal Trust Market Rate Account, and all without liability of the Trustee for such election. The Executive may change such election at any time by filing a new written election with the Company, which shall promptly notify the Trustee thereof, and all without liability of the Trustee for such new election. Subject to such investment restrictions, the Trustee shall have the power and right:

(a) To receive and hold all contributions made to it by the Company;

(b) To invest and reinvest all or any portion of the Fund collectively through the medium of any common, collective, commingled trust or mutual fund that may be established and maintained by the Trustee or any affiliate

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thereof, subject to the instrument or instruments establishing such trust fund or funds and with the terms of such instrument or instruments, as from time to time amended, being incorporated into this Agreement to the extent of the equitable share of the Fund in any such common, collective, commingled trust or mutual fund;

(c) To participate in and use a book-entry system for the

deposit and transfer of securities;

(d) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(e) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(f) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof and any assessments levied with respect to any such property so deposited;

(g) To extend the time of payment of any obligation held by it;

(h) To hold uninvested any moneys received by it, without liability for interest thereon, until such moneys shall be

invested, reinvested or disbursed;

(i) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(j) For the purposes of the Trust, to borrow money from others, including The Chase Manhattan Bank (National Association), to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;

(k) To furnish the Company and the Executive with such information as may be needed for tax or other purposes;

(l) To employ suitable agents and counsel, who may be counsel to the Company or the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;

(m) To cause any property held by it to be registered and held in the name of one or more nominees, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold securities in bearer form;

(n) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been

indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;

(o) To organize under the laws of any state a corporation or trust for the purpose of acquiring and holding title to any property which it is authorized to acquire hereunder and to exercise with respect thereto any or all of the powers set forth herein; and

(p) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.

4.3 No person dealing with the Trustee shall be under any obligation to see to the proper application of any money paid or property delivered to the Trustee or to inquire into the Trustee's authority as to any transaction.

4.4 The Trustee shall distribute cash or other assets from the Fund in accordance with Articles II and VIII hereof.

The Trustee may make any distribution required hereunder by mailing its check for the specified amount or, if distribution is to be made in kind, by making other appropriate distribution, to the person to whom such distribution or payment is to be made, at such address as may be specified pursuant to Section 10.5, or if no such

address shall have been so furnished, to such person in care of the Company, or (if so directed by the recipient) by crediting the account of such person or by transferring funds to such person's account by bank or wire transfer.

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4.5 If at any time there is no person authorized to act under this Agreement on behalf of the Company, the Board of Directors of the Company or the Compensation and Stock Option Committee of American Brands, Inc. shall have the authority to act hereunder.

ARTICLE V

5.1 The Executive, or in the event of the Executive's death the Executive's personal representative, shall be responsible for the payment of any federal, state or local taxes on the Fund, or any part thereof, and on the income therefrom, subject to the Company's obligation under the Plan to reimburse the Executive in respect of such taxes.

5.2 For all periods prior to the Executive's termination of employment, and for a period of sixty (60) days thereafter and for any further period as may be authorized by the Company, the Company shall pay to the Trustee its reasonable expenses for the management and administration of the Fund, including without limitation advances for or prompt reimbursement of reasonable expenses of counsel and other

agents employed by the Trustee, and reasonable compensation for its services as Trustee hereunder, the amount of which shall be agreed upon from time to time by the Company and the Trustee in writing; provided, however, that if the Trustee forwards an amended fee schedule to the Company requesting its agreement thereto and the Company fails to object thereto within thirty (30) days of its receipt, the amended fee schedule shall be deemed to be agreed upon by the Company and the Trustee. Such expenses and compensation shall be a charge on the Fund and shall constitute a lien in favor of the

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Trustee until paid by the Company. The Company and the Executive acknowledge that the Trustee, or an affiliate thereof, will, in addition to the compensation provided by this Article 5.2, receive compensation with regard to the administration and investment of certain funds referred to in Article 4.2 hereof, and the Company and the Executive agree that the Trustee, or any affiliate thereof, shall receive such compensation in addition to the compensation provided by this Article 5.2.

ARTICLE VI

6.1 The Trustee shall maintain records with respect to the Fund that show all its receipts and disbursements hereunder. The records of the Trustee with respect to the Fund shall be open to inspection by the Company or its representatives and by the Executive

at all reasonable times during normal business hours of the Trustee and may be audited not more frequently than once each fiscal year by an independent certified public accountant engaged by the Company; provided, however, the Trustee shall be entitled to additional compensation from the Company in respect of audits or auditors' requests which the Trustee determines to exceed the ordinary course of the usual scope of such examinations of its records.

6.2 Within a reasonable time after the close of each fiscal year of the Company (or, in the Trustee's discretion, at more frequent intervals), or of any termination of the duties of the Trustee hereunder, the Trustee shall prepare and deliver to the Company and the Executive a statement of transactions reflecting its acts and transactions as Trustee during such fiscal year, portion thereof or

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during such period from the close of the last fiscal year or last statement period to the termination of the Trustee's duties, respectively, including a statement of the then current value of the Fund. Any such statement shall be deemed an account stated and accepted and approved by the Company and the Executive, and the Trustee shall be relieved and discharged, as if such account had been settled and allowed by a judgment or decree of a court of competent jurisdiction, unless protested by written notice to the Trustee within sixty (60) days of receipt thereof by the Company or the Executive.

The Trustee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as herein provided or for the determination of any question of construction or for instructions. In any such action or proceeding it shall be necessary to join as parties only the Trustee, the Company and the Executive (although the Trustee may also join such other parties as it may deem appropriate), and any judgment or decree entered therein shall be conclusive.

ARTICLE VII

7.1 The Trustee may resign at any time by delivering written notice thereof to the Company and the Executive; provided, however, that no such resignation shall take effect until the earlier of (i) sixty (60) days from the date of delivery of such notice to the Company and the Executive or (ii) the appointment of a successor trustee.

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7.2 The Trustee may be removed at any time by the Company, pursuant to a resolution of the Board of Directors of the Company, upon delivery to the Trustee of a certified copy of such resolution and sixty (60) days' written notice to the Trustee and the Executive of (i) such removal and (ii) the appointment of a successor trustee,

unless such notice period is waived in whole or in part by the Trustee and the Executive.

7.3 Upon the resignation or removal of the Trustee, a successor trustee shall be appointed by the Company. Such successor trustee shall be a bank or trust company established under the laws of the United States or a state within the United States and having either total assets of at least \$15 billion or trust assets of at least \$25 billion. Such appointment shall take effect upon the delivery to the Trustee and the Executive of (a) a written appointment of such successor trustee, duly executed, by the Company and (b) a written acceptance by such successor trustee, duly executed thereby. Any successor trustee shall have all the rights, powers and duties granted the Trustee hereunder.

7.4 If, within sixty (60) days of the delivery of the Trustee's written notice of resignation, a successor trustee shall not have been appointed, the Trustee shall apply to any court of competent jurisdiction for the appointment of a successor trustee.

7.5 Upon the resignation or removal of the Trustee and the appointment of a successor trustee, and after the acceptance and approval of its account, the Trustee shall transfer and deliver the

Fund to such successor trustee. Under no circumstances shall the

Trustee transfer or deliver the Fund to any successor trustee which is not a bank or trust company having either total assets of at least \$15 billion or trust assets of at least \$25 billion.

ARTICLE VIII

8.1 The Trust established pursuant to this Agreement shall terminate upon the actual or deemed withdrawal by the Executive of all amounts in the Fund, as provided in Section 2.4, and in the Executive's Segregated Account. The Trust also shall terminate upon the expiration of sixty (60) days following the Executive's termination of employment (by retirement or otherwise), unless the Trustee and the Executive agree to continue the Trust thereafter upon such terms as they may agree, but in the event of such continuation the Company shall have no further obligations under this Agreement with respect to matters relating to such continuation, including expenses and compensation of the Trustee, as provided in Section 5.2, and indemnification of the Trustee as provided in Section 3.2.

8.2 Upon the termination of the Trust by reason of the death of the Executive, or by reason of the Executive's termination of employment other than by death if the Trust has not been continued by agreement between the Trustee and the Executive, the Trustee shall distribute the Fund as directed by the Executive or, in the absence of such direction, shall distribute all of the Fund to the Executive's Segregated Account, if any, or if there is no such Segregated Account

to the Executive, or in the event of the Executive's death his personal representative, after deducting therefrom any amounts owing

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to the Trustee under this Agreement which have not been paid by the Company. Upon any termination of the Trust in accordance with Article VIII, the Trustee shall, after the acceptance and approval of its account, be relieved and discharged. The powers of the Trustee, including the right to receive compensation for services and payment of expenses, as provided in Section 5.2, shall continue as long as any part of the Fund remains in its possession.

ARTICLE IX

9.1 This Agreement may be amended, in whole or in part, at any time and from time to time, by the Company with the written consent of the Executive and the Trustee. Any such amendment by the Company shall be pursuant to a resolution of the Board of Directors of the Company by delivery to the Trustee of a certified copy of such resolution and a written instrument duly executed and acknowledged by the Company and the Executive in the same form as this Agreement.

ARTICLE X

10.1 This Agreement shall be construed and interpreted under, and the Trust hereby created shall be governed by, the laws of the State of New York insofar as such laws do not contravene any applicable federal laws, rules or regulations.

10.2 Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

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10.3 This Agreement shall be binding upon and inure to the benefit of the Executive, his estate, personal representative, beneficiary, heirs and assigns. This Agreement also shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise and any subsequent successor thereto. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustee in writing of its successorship and furnish the Trustee with the information specified in Section 3.1 of this Agreement. In no event shall any such transaction described herein suspend or delay the rights of the Executive to receive benefits hereunder.

10.4 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all

of which shall together constitute only one Agreement.

10.5 All notices and other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when actually delivered to the respective addresses set forth below:

Company: Jim Beam Brands Co.
510 Lake Cook Road
Deerfield, Illinois 60015-4916
Attn: Vice President,
Human Resources

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Trustee: The Chase Manhattan Bank, N.A.
1211 Avenue of the Americas
New York, New York 10036
Attn: Trusts and Estates
Services Division, 34th Floor

Executive: Barry M. Berish
1274 Trapp Lane
Winnetka, Illinois 60093

or at such other address as such person may specify in writing by notice as set forth above to the other persons listed above.

ARTICLE XI

11.1 In consideration of the establishment of the Fund, the Executive consents to the distribution from time to time of assets of the trust established pursuant to the Trust Agreement made as of

the 24th day of December, 1991, among Jim Beam Brands Co., The Chase Manhattan Bank (National Association) and Hewitt Associates established to provide a source of the Executive's benefits under the Plan, in amounts to be used for the making of contributions to the Trust or Segregated Account of the Executive as provided in Section

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1.2, or the making of payments to the Executive (or beneficiary) pursuant to the Plan.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the 15th day of December, 1993.

Attest:

JIM BEAM BRANDS CO.

Louis F. Fernous, Jr.

David C. Wagner

Assistant Secretary

By-----
David C. Wagner
Vice President, Administration

Attest:

THE CHASE MANHATTAN BANK

Mark J. Altschuler

Vice President

William P. Barbeosch
By-----
William P. Barbeosch
Vice President

Witness:

BARRY M. BERISH

Gail Burns

Barry M. Berish

STATE OF ILLINOIS)
 : ss.:
COUNTY OF COOK)

Personally appeared David C. Wagner, Vice President of JIM

BEAM BRANDS CO., signer and sealer of the foregoing instrument, and
acknowledged the same to be his free act and deed as such Vice
President and the free act and deed of said Corporation, before me.

Ann Nell G. Koktzoglou

Notary Public

STATE OF NEW YORK)
 : ss.: New York, NY-December 29, 1993
COUNTY OF NEW YORK)

Personally appeared William P. Barbeosch, Vice President of
THE CHASE MANHATTAN BANK, signer and sealer of the foregoing
instrument, and acknowledged the same to be his free act and deed as
such Vice President and the free act and deed of said Company, before
me.

Kamla Jaipal

Notary Public

STATE OF ILLINOIS)
 : ss.:
COUNTY OF COOK)

Personally appeared BARRY M. BERISH, signer of the foregoing
instrument, and acknowledged the same to be his free act and deed,
before me.

Ann Nell G. Koktzoglou

Notary Public

T H I S A G R E E M E N T is made the eleventh day of
----- February 1994

B E T W E E N:-

- (1) GALLAHER LIMITED a company incorporated in England under number 1501573 whose registered office is at Members Hill Brooklands Road, Weybridge, Surrey ("the Company") and
- (2) PETER MICHAEL WILSON of 191 Sycamore Road, Farnborough, Hampshire ("the Executive")

WHEREBY IT IS AGREED as follows:-

INTERPRETATION

1. (A) DEFINITIONS

UNLESS the context otherwise requires, in this Agreement and in the Schedule hereto the following words and phrases shall have the meanings given below:-

- (1) "subsidiary" or "subsidiary company" and "holding company" shall have the meanings ascribed to them in Part XXVI of the Companies Act 1985;
- (2) "Group" means the Company, American Brands Inc and all its subsidiaries and "Group Company" shall be construed accordingly;
- (3) "the Board" means the Board of Directors of the Company;
- (4) "the Business" means (taken together) the business of the Company and the business of any other Group Company with which the Executive is required by the Board under Clause 3 of this Agreement to be concerned;
- (5) "Contractual Retirement Date" means the date specified in paragraph 8 of the Schedule hereto;
- (6) "the Effective Date" means the date specified in paragraph 2 of the Schedule hereto; and
- (7) "month" means a calendar month.

Other words and phrases the definition of which is contained or referred to in Part XXVI of the Companies Act 1985 shall be construed as having the meanings thereby attributed to them.

(B) CONSTRUCTION OF CERTAIN REFERENCES

Unless the context otherwise requires any references in this Agreement to:
- -

- (1) a "person" shall include any individual company corporation firm partnership joint venture association organization or trust (in each case whether or not having separate legal personality) and references to any of the same shall include a reference to the others;
- (2) "writing" or "written" shall include any means of visible reproduction;
- (3) words denoting the singular shall include the plural and vice versa;
- (4) sub-clauses are references to sub-clauses of the Clause in which the reference appears;
- (5) statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification); and
- (6) the masculine gender shall be deemed to include the feminine gender.

(C) CLAUSE HEADINGS

Clause headings are inserted for convenience only and shall not affect the construction of this Agreement.

(D) REASONABLENESS OF RESTRICTIONS

The restrictions contained in Clause 13 hereof are considered reasonable by the parties hereto. In particular, the Executive agrees that the restrictions are reasonable and necessary for the protection of the Business of the Company and any Group Company as appropriate.

APPOINTMENT

2. THE Company shall employ the Executive and the Executive agrees to serve the Company in the capacity specified in paragraph 1 of the Schedule hereto as at and with effect from the Effective Date and continuing thereafter (subject to termination as hereinafter provided) unless and

until terminated by the Executive giving to the Company not less than two years written notice or the Company giving to the Executive not less than the period of prior notice in writing specified in paragraph 3 of the Schedule hereto but so that the employment of the Executive hereunder shall terminate in any event on the Contractual Retirement Date.

DUTIES, POWERS AND MOBILITY

3. (A) THE Executive shall exercise such powers perform such duties (if any) and comply with such directions in relation to the Business of the Company and any other Group Company or Group Companies consistent with his employment hereunder as the Board or any person authorised by the Board for the purpose may from time to time confer upon or assign or give to him.

(B) The Executive shall during the continuance of his employment hereunder (unless prevented by ill health or accident) devote so much of his time and attention and abilities to the Business as the Board may reasonably require for the proper performance of his duties hereunder and

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shall use his best endeavours to promote and protect the general interests and welfare of the Company.

(C) The Executive shall at all times promptly give to the Board (in writing if so requested) all such information explanations and assistance as it may require in connection with the Business and his employment hereunder.

(D) The Executive may be required to travel on the Business of the Company or any other Group Company both inside and outside the United Kingdom in the proper performance of his duties hereunder.

(E) The Executive shall work in such place or places (whether within or outside the United Kingdom) as the Board may reasonably require for the proper performance of his duties hereunder.

REMUNERATION

4. (A) THE Company shall pay to the Executive during the continuance of his employment hereunder as remuneration for his services a salary at the annual rate specified in paragraph 4 of the Schedule hereto payable in arrear by equal instalments on or before the last day of each month which said salary shall be deemed to accrue from day to day. Such salary shall include any sum receivable by the Executive as Director's fees from the Company or any other Group Company.

(B) The remuneration payable to the Executive by the Company pursuant to sub-clause (A) shall be subject to upward review in accordance with the Company's practice from time to time.

(C) The Executive shall be designated an eligible employee for the purposes of the Company's Executive Incentive Plan and shall participate in the Plan.

(D) If the Company ceases to be beneficially owned (directly or indirectly) to the extent of at least 50% by American Brands Inc or if 20% or more of the common stock of American Brands Inc shall come within the beneficial ownership of one person or one concerted group of persons ("the New Circumstances") the Executive shall be entitled to receive incentive payments in respect of the financial year of the Company in which the New Circumstances occur and in respect of the next following three financial years of the Company (such three financial years being referred to as "the Guarantee Period") each such payment to be made within 4 months of the end of the relevant financial year of the Company and each such payment to be not less than the last full year's incentive payment received by or due to the Executive under the Company's Executive Incentive Plan in respect of the financial year of the Company prior to that in which the New Circumstances occurred provided that if the Executive achieves his Contractual Retirement Date during the course of the Guarantee Period the Executive shall only be entitled to such incentive payments for that part of the Guarantee Period ending at the end of the month in which he achieves his Contractual Retirement Date calculated on a pro rata basis.

EXPENSES

5. THE Company shall pay or refund or procure to be paid or refunded to the Executive all reasonable travelling entertainment and other similar out of pocket expenses necessarily and wholly incurred by him in the performance of his duties hereunder but the Company shall be entitled as a condition of reimbursement to such evidence from the Executive as to such expenses as the Board may reasonably require (including without limitation proper accounts with vouchers).

COMPANY CAR

6. THE Company will provide a suitable car ("the Car") for the use of the Executive during the continuance of his employment and will pay all costs relating to it (including the cost of fuel license insurance and maintenance) except that the Executive will pay all costs relating to the Car when it is being used for private purposes outside the United Kingdom.

HOLIDAYS

7. (A) IN addition to statutory and bank holidays the Executive shall be entitled to paid holiday in each calendar year of the period specified in paragraph 5 of the Schedule hereto at such time or times as the Business may permit.

(B) Holidays may not be carried forward from one year to the next and the Executive will not be entitled to any payment (whether during the continuance or on termination of this Agreement) in lieu of holidays not taken.

SICKNESS AND INCAPACITY

8. (A) IF the Executive is absent from work as a result of sickness or injury he will

(1) if the period of absence is less than eight consecutive calendar days, submit to the Company on his return a certificate of sickness completed by himself;

(2) if it is eight consecutive calendar days or more submit to the Company without delay a medical certificate signed by a practising medical practitioner in respect of each week of absence after the first.

(B) Subject to Clause 18 below and subject to compliance with sub-clause (A) above the Executive will be entitled to payment of his salary at the full rate (less any social security or other benefits payable to him) during any periods of absence from work as a result of sickness or injury.

(C) The Company will pay Statutory Sick Pay, where appropriate, in accordance with the legislation in force at the time of absence and any payment of salary in accordance with this Clause will go towards discharging its liability to pay Statutory Sick Pay.

(D) If the Executive is absent from work due to the act or default of a third party, any claim for damages, if made, shall include a claim for

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"loss of earnings". Any sum recovered under this head shall subsequently be refunded to the Company.

(E) The Executive shall submit himself to a medical examination at the request and reasonable expense of the Board at any time during the continuance of his employment hereunder whether or not the Executive is absent by reason of sickness injury or other incapacity.

PENSION

9. (A) SUBJECT to satisfying the eligibility conditions under the rules

of the Schemes the Executive shall be entitled to be a member of the Pension Schemes specified in paragraph 6 of the Schedule hereto as amended from time to time.

(B) A contracting out certificate is in force in relation to The Gallaher 'M' Pension Scheme for the purposes of the Social Security Pensions Act 1975.

PRIVATE HEALTH INSURANCE AND OTHER INSURANCE

10. THE Company shall pay all premiums and make all necessary payments to provide the Executive with medical insurance under the provisions of the Company's membership of such medical insurance as the Board may from time to time determine and of which the Executive is or may become during the continuance of his employment hereunder a member.

EXCLUSIVE SERVICE

11. DURING the continuance of his employment hereunder the Executive shall not (save with the prior consent of the Board communicated in writing by the Secretary of the Company to the Executive) either as principal servant or agent carry on or be engaged concerned or interested directly or indirectly whether alone or on his behalf or on behalf of or in association or conjunction with any other person and whether as an employee or in any capacity in any trade business or occupation whatsoever other than that of the Company or of any other Group Company (otherwise than as a holder for investment purposes only of any units of an authorised unit trust and as a holder directly or through nominees of not more than 5 per cent of the shares or debentures in any company or companies).

INVENTIONS AND IMPROVEMENTS

12. (A) IN the event that the Executive shall during the continuance of his employment by the Company either make or discover any literary work computer program invention process development or design or make any improvement upon any existing literary work computer program invention process development or design whether or not the same is capable of patent registered design design right copyright or other like protection and whether alone or in conjunction with any other employee or employees of the Company or of any other Group Company or other persons he shall immediately disclose the same to the Secretary of the Company and the rights in the same shall subject to any applicable provisions of the Patents Act 1977 become the property of the Company or its nominee and the Executive shall at the Company's request and expense do all such acts and execute all such documents as may be necessary to confirm or vest the rights of any such

literary work computer program invention process development design or improvement in the name of the Company.

(B) The Executive irrevocably appoints the Company as his attorney in his name and on his behalf to execute all documents and do all things required in order to give full effect to the provisions of this Clause.

(C) The Executive will if and when required to do so by the Company (whether during the continuance of his employment or afterwards) and at its expense: -

- (a) apply or join with the Company in applying for letters patent or other protection in any part of the world for any literary work computer program invention process development design or improvement to which sub-clause (A) above applies;
- (b) execute or procure to be executed all instruments and do or procure to be done all things which are necessary for renewing or maintaining such letters patent or other protection in the name of the Company;
- (c) assist in prosecuting or defending any proceedings relating to or to any application for such letters patent or other protection.

PROTECTION OF INTERESTS OF COMPANY: CONFIDENTIALITY NON-ENTICEMENT AND NON-SOLICITATION

13. (A) THE Executive shall not at any time either before or after the termination of his employment with the Company use disclose or communicate to any person whatsoever any confidential information relating to the Business of the Company or any Group Company or any customers suppliers or agents thereof or their affairs or any trade secrets of which he may have become possessed during the continuance of his employment with the Company or supply the names or addresses of any customers or agents of the Company or any Group Company to any person except in the proper course of his duties hereunder or as authorised in writing by the Board or as ordered by a Court of competent jurisdiction.

(B) The Executive shall not at any time during the continuance of his employment with the Company make otherwise than for the benefit of the Company or any Group Company any notes or memoranda relating to any matter within the scope of the Business or concerning any of the dealings or affairs of any Group Company.

(C) The Executive shall not utter any statement (whether written or oral) to any representative of television radio film or other similar media and shall not write any article for the press or otherwise for publication on any matter connected with or relating to the Business of any Group Company except in the proper course of his duties or with the approval of the Board.

(D) The Executive hereby covenants that he shall not without the consent in writing of the Board during the continuance of his employment by

the Company or during the period after termination (for whatever cause) of his employment by the Company specified in paragraph 9 of the Schedule hereto either on his own account or in conjunction with or on behalf of any

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other person solicit or entice away or endeavour to solicit or to entice away from the Company or any Group Company any individual who was during the Executive's employment by the Company an employee director or consultant of the Company or any Group Company whether or not any such person would commit a breach of contract by reason of his leaving service.

(E) The Executive hereby covenants that he shall not during the period after the termination for whatever cause of his employment by the Company specified in paragraph 10 of the Schedule hereto on his own behalf or on behalf of or in conjunction with any other person solicit interfere with or entice away or attempt to solicit interfere with or entice away any person who on the date of the Executive ceasing to be employed by the Company or at any time during the period prior to that date specified in paragraph 11 of the Schedule hereto to the knowledge of the Executive was provided with goods or services by the Company provided always that nothing contained in this Clause shall be deemed to prohibit the seeking or doing of business not in direct or indirect competition to the Business.

(F) The Executive hereby covenants with the Company in terms identical to those contained in sub-clause (E) save that the reference to a person who was provided with goods or services shall refer only to a person who is or was during the period specified therein a person who was provided with goods or services by any Group Company (other than the Company) and with whom in the course of his employment with the Company within the twelve months prior to the termination of his employment (howsoever caused) the Executive shall have had dealings.

SCOPE OF RESTRICTIONS AND APPLICATION

14. THE Executive agrees that in the event of his receiving from any person an offer of employment either during the continuance of this Agreement or during the continuance in force of all or any of the restrictions set out in Clause 13 of this Agreement he shall forthwith inform the Company Secretary.

TERMINATION UPON AMALGAMATION OR RECONSTRUCTION

15. IF the employment of the Executive with the Company shall be terminated either by reason of the liquidation of the Company for the purpose of reconstruction or amalgamation or as part of any arrangement for the amalgamation or reconstruction of the Company not involving insolvency and the Executive shall be offered employment with any concern or undertaking resulting from such amalgamation or reconstruction on terms and conditions which taken as a whole are not less favourable than the terms of

this Agreement then the Executive shall have no claim against the Company in respect of such termination of his employment with the Company.

PROTECTION OF INTERESTS OF EXECUTIVE

16. THIS Clause shall have effect only in the event of the New Circumstances (as defined in Clause 4(D)) arising and no part of this Clause shall be relevant for any other purpose whatsoever. In particular, without limitation to the foregoing, the definition of termination for Good Reason in sub-clause (E) of this Clause shall apply only to termination of employment by the Executive within two years after the New Circumstances

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and not to termination of employment by the Executive on any other occasion.

(A) The Company believes that it is necessary, and in the interests of the Company, for the Company to afford to the Executive the protection given by the following provisions of this Clause 16, taking into account the fact that the Company is presently a wholly owned subsidiary of American Brands Inc but may in the future cease (for whatever reason) to be such wholly owned subsidiary and the fact that American Brands Inc has been and may well in the future be subject to hostile take-over bids, and also taking into account the fact that executives of American Brands Inc and companies within the American Brands group are given similar protection in their contracts of service.

(B) If within two years after the New Circumstances (as defined in Clause 4(D) of this Agreement) arise, either

- (i) the Executive is dismissed by the Company (otherwise than under Clause 18) or
- (ii) the Executive terminates his employment under this Agreement for Good Reason (as defined in sub-clause (E) of this Clause)

then in the case of either such event (in this Clause hereinafter called "the Event") the Company shall pay to the Executive, subject only to sub-clause (C) of this Clause, as severance pay the following amounts (which amounts are in substitution for any other entitlement or remedy either under this Agreement or arising from the breach thereof): -

- (1) three times his annual salary at the rate prevailing at the time of the Event
- (2) three times the incentive payment to which the Executive is entitled under Clause 4(D) in respect of the first financial year within the Guarantee Period

- (3) salary and incentive payment accrued due up to the date of the Event to the extent not already received by the Executive
- (4) three times the tax value of benefits in kind received by the Executive in respect of the twelve month period preceding the Event.

(C) If the Executive's sixtieth birthday would fall within the period of three years immediately following the Event then the amounts referred to in (1), (2) and (4) of sub-clause (B) shall be reduced by the fraction whose numerator is 36 less the number of complete calendar months between the Event and the sixtieth anniversary of the Executive's birthday and whose denominator is 36.

(D) The Executive shall not be required to mitigate the amount of any payment provided for in sub-clause (B) by seeking other employment or otherwise nor shall the amount of any payment so provided for be reduced by any compensation earned by the Executive as the result of employment by another employer following termination of this Agreement or by any other compensation.

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(E) Termination of employment by the Executive for Good Reason shall be deemed to have occurred only if the Executive terminates his employment without notice for any of the following reasons occurring since the New Circumstances arose: -

- (1) without the Executive's express written consent any material reduction in the aggregate duties responsibilities and authority assigned to him pursuant to Clause 3(A) of this Agreement or the assignment to him of any duties responsibilities or authority inconsistent with the duties responsibilities and authority previously assigned to him pursuant to Clause 3(A) of this Agreement or a change in his title or position below that in effect on the date hereof;
- (2) a reduction by the Company in the Executive's salary in effect on the date hereof as increased subsequently pursuant to Clause 4(B);
- (3) the failure of the Company or of American Brands Inc substantially to maintain and to continue the Executive's participation in the benefit plans as in effect on the date hereof as increased by improvements made subsequent thereto or the taking of any action which would materially reduce the Executive's benefits under any of such plans or deprive the Executive of any material fringe benefit enjoyed by him on the

date hereof or subsequently. For the purposes hereof such benefit plans shall include but not be limited to the Company's Executive Incentive Plan and pension plans and stock option plans of American Brands Inc. The substituting for any existing benefit plan of a similar plan providing no less favourable benefits shall be deemed not to be a failure by the Company to maintain or continue the Executive's participation in any such benefit plan and any reference in this sub-clause to any benefit plan shall be deemed to include a reference to any such substituted benefit plan;

- (4) the sum of the Executive's salary and the amount paid to the Executive under the Executive Incentive Plan for a calendar year is less than the sum of the Executive's salary and the amount awarded (whether or not fully paid) to the Executive under the Executive Incentive Plan for 1993 or any subsequent year in which the sum of such amounts was greater;
- (5) notwithstanding Clause 3(E) the relocation of the offices at which the Executive was required to work at the time of the New Circumstances arising to a location more than 35 miles away except for required travel on the Company's business to an extent substantially consistent with his business travel obligations on the date hereof;
- (6) the failure of the Company to provide the Executive during a calendar year with a number of paid holidays at least equal to the number of paid holidays to which he was entitled at the date hereof pursuant to Clause 7 of this Agreement as increased subsequent thereto;

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- (7) circumstances arise which entitle the Executive to terminate this Agreement without notice because of the Company's conduct (i.e. the circumstances of constructive dismissal).

DIRECTORSHIPS

17. (A) THE Executive shall accept appointment as a Director of any such Group Company as the Board may require in connection with his appointment hereunder and as a Director of any other company as the Board may reasonably so require and he shall resign without claim for compensation from office as a Director of any such company (other than the Company) at any time on request by the Company which resignation shall not affect the continuance in any way of this Agreement. The Executive shall forthwith account to the Company for any Director's fees or other emoluments remuneration or payments either receivable or received by him by virtue of his holding office as such Director as aforesaid (or waive any right to the

same if so required by the Company).

(B) Upon the termination of the Executive's employment with the Company for whatsoever reason the Executive shall unless requested by the Board not to do so resign promptly from

- (1) office as a Director of the Company or of any Group Company or of any other company as is referred to in sub-clause (A) of which he is a Director and
- (2) from all offices held by him in any or all of such companies and
- (3) all trusteeships held by him of any pension schemes or other trusts established by the Company or any other Group Company or any other company with which the Executive has had dealings as a consequence of his employment by the Company.

(C) Should the Executive fail to resign from office as a Director or from any other office or trusteeship as is referred to in sub-clauses (A) or (B) either during his employment when requested by the Company so to do or on termination thereof the Company is hereby irrevocably authorised to appoint some person in his name and on his behalf to execute any documents and to do all things requisite to give effect thereto.

(D) Save with the prior agreement in writing of the Board the Executive shall not during the continuance of his employment hereunder resign office as a Director of the Company or any Group Company or any other company as is referred to in sub-clause (A) or do anything that would cause him to be disqualified from continuing to hold office as a Director.

TERMINATION

18. (A) THE Executive's employment with the Company may be terminated forthwith by the Company without prior notice if the Executive shall at any time: -

- (1) commit any serious breach or repeated or continual breach of any of his obligations hereunder; or

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- (2) be guilty of any serious misconduct or serious neglect in the discharge of his duties hereunder; or
- (3) have a bankruptcy order made against him or if he shall make any arrangement or composition with his creditors or have an interim order made against him pursuant to Section 252 of the Insolvency Act 1986; or

- (4) tend by his actions or omissions to bring the name or reputation of the Company or any Group Company into serious disrepute or prejudice the interests of the Business of the Company or any other Group Company (bearing in mind the nature of the duties he is engaged in hereunder and the capacity in which he is employed); or
- (5) be or become of unsound mind or shall be or become a patient for the purpose of any statute relating to mental health; or
- (6) be convicted of an offense under any present or future statutory enactment or regulation relating to insider dealing; or
- (7) be or become prohibited by law from being a director.

(B) In the event of termination pursuant to sub-clause (A) the Company shall not be obliged to make any further payment to the Executive beyond the amount of any remuneration actually accrued due to the date of such termination and the Company shall be entitled to deduct from such remuneration any sums owing to it or to any other Group Company by the Executive.

(C) In the event of the termination of the employment of the Executive hereunder for whatever reason and whether by notice or in any other manner whatsoever the Executive agrees that he will not at any time after such termination represent himself as still having any connection with the Company or any Group Company.

(D) In the event that the Executive is incapacitated by ill health accident or any other cause from performing his duties hereunder for an aggregate of 125 working days or more (whether consecutive or not) in any twelve consecutive months then the Company may terminate this Agreement by giving to the Executive not less than six months' notice in writing given within three months after the end of the 125 working days.

(E) In the event of the termination of the employment of the Executive hereunder by notice given pursuant to Clause 2 of this Agreement by either party, the Executive agrees that the Company may in its absolute discretion require the Executive not to render all or any of his duties hereunder or to exclude him from any premises of the Company (without providing any reason therefor) during the relevant notice period or (if the date of termination is disputed) at any time after the disputed date of termination and that such action (if taken) on the part of the Company shall not constitute a breach of this Agreement of any kind whatsoever in respect of which the Executive has any claim against the Company provided always that throughout the period of any such action the Executive's salary and contractual benefits shall not cease to be payable by reason thereof.

STATUTORY PARTICULARS

19. THE following particulars are set forth in compliance with the requirements of the Employment Protection (Consolidation) Act 1978 as amended by the Trade Union Reform and Employment Rights Act 1993 and the Wages Act 1986: -

(A) The employment of the Executive by the Company and his continuous period of employment with the Company began on the respective dates specified in paragraphs 13 and 7 of the Schedule hereto.

(B) Save as contained herein or otherwise notified to the Executive in writing there are no terms or conditions of employment relating to hours of work or to normal working hours or to holidays or to holiday pay or to incapacity for work due to sickness or injury or to sick pay or to pensions or pension schemes or to collective agreements or to work outside the United Kingdom or to disciplinary rules and procedures.

(C) If the Executive is dissatisfied with any disciplinary decision relating to him or if he has any grievance arising from his employment hereunder he may refer any such matter to the Board which will deal with the matter by discussion and by a decision of those present at the relevant Board Meeting at which the matter is discussed.

(D) The Executive's hours of work shall be such as may be requisite for the proper discharge of his duties hereunder.

(E) The Executive hereby authorises the Company to deduct and to retain from any remuneration accrued due to him under the terms of this Agreement (whether or not actually paid during the continuance of his employment hereunder) those sums set out in paragraph 12 of the Schedule hereto.

RETURN OF PROPERTY ON TERMINATION

20. (A) UPON the termination of his employment with the Company for whatsoever cause the Executive shall forthwith deliver up to the Company or its authorised representative any property of the Company or any other Group Company which may be in his possession custody or under his control including without limitation the Car and the keys relating thereto minutes memoranda correspondence notes records reports sketches plans or other documents and any copies thereof, whether or not the same were originally supplied to him by the Company or any other Group Company.

(B) If so requested the Executive shall provide to the Board a signed statement confirming that he has fully complied with sub-clause (A).

NOTICES

21. ANY notice to be given hereunder shall be given in writing and may be given either personally or may be sent addressed in the case of the Company to its registered office for the time being and in the case of the

Executive to him at his last known place of residence and any notice given by post shall be deemed to have been served on the day which is three days following that on which it was posted.

CONSTRUCTION

22. (A) THE provisions of the Schedule hereto and any special terms endorsed in writing by or on behalf of the parties hereto shall be read and construed as part of this Agreement and shall be enforceable accordingly.

(B) The benefit of each agreement and obligation of the Executive under Clause 13 of the Agreement may be assigned to successors for the time being carrying on the Business and enforced by such assignees for the time being carrying on the Business and such agreements and obligations shall operate and remain binding notwithstanding the termination of this Agreement whether or not as a result of a breach of the terms hereof on the part of the Company.

LAW OF AGREEMENT

23. THIS Agreement shall be governed by and interpreted according to the Law of England.

PRIOR AGREEMENTS

24. SAVE for the letter dated 20th September 1991 (whose terms remain in full force and effect) in respect of retirement benefits this Agreement shall be in substitution for any subsisting service agreement or contract of employment (oral or otherwise) made between the Company and the Executive or between any other Group Company and the Executive which shall be deemed to have been terminated by mutual consent with effect from the Effective Date.

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

THE COMMON SEAL OF GALLAHER) [Common Seal of Gallaher Limited]
LIMITED was hereunto affixed)
in the presence of: -)

Director P.R. Burchell

Secretary B. Rudd

SIGNED SEALED and DELIVERED)

by the EXECUTIVE in the)
presence of: -)

P.M. Wilson

B. Rudd
Solicitor
Weybridge

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THE SCHEDULE ABOVE REFERRED TO

1. Capacity of the Executive: Chairman and Chief Executive
(Clause 2) of Gallaher Limited
2. The Effective Date: 1st February 1994
(Clause 2)
3. Minimum Notice Period: Three years
(Clause 2)
4. Remuneration: (L) 314,000
(Clause 4)
5. Holidays: 25 working days
(Clause 7)
6. Pension Schemes: The Gallaher 'S' Pension
(Clause 9) Scheme and Gallaher 'M'
Pension Scheme
7. The continuous period of employment of the Executive with
the Company for statutory purposes began on: 6th October
1969
(Clause 19(A))
8. Contractual Retirement Date: 9th June 2001
(Clause 2) The Executive's 60th
birthday
9. Period of Non-Enticement: Twelve months
(Sub-clause 13(D))

10. Period of Non-solicitation: Twelve months
(Sub-clause 13(E))
11. Period of dealing: Twelve months
(Sub-clause 13(E))
12. Deductions authorised pursuant to the Wages Act 1986: any debt owed by the Executive to the Company; any pension or other similar contribution owed by the Executive as a consequence of the Executive's membership of the pension schemes referred to in paragraph 6 above; any deduction from remuneration the Executive's consent to which has previously been signified to the Company in writing and the deduction of any other sum or sums which may from time to time be required or authorised pursuant to subsection 1(1) (a) of the Wages Act 1986.
(Sub-clause 19(E))
13. The employment of the Executive by the Company began on:
1st January 1981
(Clause 19(A))

GALLAHER LIMITED

MEMBERS HILL BROOKLANDS ROAD
WEYBRIDGE SURREY KT13 OQU
TELEPHONE: 0932-859777
FACSIMILE: 0932 859777 EXT. 2233 TELEX: 25505

Mr P M Wilson
Weybridge

20th September 1991

Dear Mr Wilson

THE GALLAHER "M" AND "S" PENSION SCHEMES (THE "PENSION SCHEMES")

Your benefits were as set out in my letter to you of 31st October 1986 and in the schedule to that letter, subject however to the amendments contained in my letter of 22nd December 1987 (which related to the definitions of "Pensionable Pay" and "Basic Annual Salary" and to the "S" scheme becoming non-contributory) and my letter of 21st May 1990 (which related to the lump sum death benefit).

This letter confirms that you are a member of the Pension Schemes and the schedule hereto sets out the benefits under those schemes which are applicable to you. This letter and its schedule are in substitution for those referred to above dated 31st October 1986, 22nd December 1987 and 21st May 1990. Apart from consolidating the previous schedule and its amendments, the new schedule is fuller and a comprehensive statement of your Company pension benefits.

In consideration of your agreeing to the terms of this letter and the schedule hereto and of your continued services to Gallaher Limited (and notwithstanding anything in your employment contract with Gallaher Limited or under either of the Pension Schemes to the contrary), Gallaher Limited agrees and undertakes to and with you as follows:

- (a) subject to (b) and (c) below, it shall be a term of your contract of employment that benefits are and continue to be provided for or in respect of you as set out in the schedule hereto on a non-contributory basis;
- (b) not to exercise and to procure that there is not exercised any power or discretion under the Pension Schemes (or either of them)

so as to affect materially and adversely the benefits payable, or prospectively or contingently payable, under the Pension Schemes to or in respect of you unless the power or discretion is being exercised either (i) with your prior consent in writing or (ii) in order to comply with any applicable law, regulation or requirement or (iii) to terminate the Pension Scheme (in which event (c) below shall apply);

- (c) in the event of either of the Pension Schemes being terminated, to provide a replacement scheme on terms no less favourable to you overall than those applicable to you under the Pension Scheme

immediately prior to its termination (and the provisions of this letter shall apply to any such replacement scheme as if it were one of the Pension Schemes).

Please confirm your agreement to the terms of this letter and the schedule hereto by signing and returning to me the enclosed copy of this letter.

Yours sincerely
for and on behalf of
Gallaher Limited

B. Rudd

Secretary

I hereby agree to the terms of the above letter and the schedule thereto of which this is a copy.

P.M. WILSON

Date

23 SEPTEMBER 91

P M Wilson

THE GALLAHER 'M' & 'S' PENSION SCHEMES

Schedule of benefits applicable to

P M WILSON

1. INTRODUCTION

This schedule describes the principal benefits payable under the Gallaher 'M' and 'S' Pension Schemes.

Standard benefits will be paid under the 'M' Scheme. In addition, the lump sum death in service benefit under the 'M' Scheme will be increased to the level described under paragraph 8(a). The rest of your benefits will be provided through the 'S' Scheme.

The benefits are subject to the Inland Revenue limits for approval of the schemes under the Income and Corporation Taxes Act 1988.

2. DEFINITIONS

In this schedule -

"COMPANY" means Gallaher Limited;

"FINAL PENSIONABLE PAY" means the greater of -

- (a) 105% of basic salary for the last 12 months of your employment with the Company; and
- (b) 70% of the sum of -
 - (i) 105% of basic salary for the last 12 months of your employment with the Company; plus
 - (ii) any Incentive Payments received during that 12 month period (or, if greater, the annual average of the Incentive Payments received in the best 5 consecutive years out of the 10 year period ending on the last day of your employment with the Company);

less such sum (if any) as the Trustee decides is appropriate in light of the state pension.

Notes

- (i) the deduction in respect of the state pension is currently (L) 470;
- (ii) the Company may vary the percentage in (a) and (b)(i) (currently 105%) from time to time but any reduction shall not operate so as to make the amounts referred to in those paragraphs less than they would have been had the reduction not been made and had your basic salary continued at the rate in force immediately prior to the reduction being made; and
- (iii) if you continue in employment after Normal Retirement Date paragraph 6 applies.

"GROUP SERVICE" means employment with the Company or any other member of the Gallaher Group of Companies, which shall be deemed to have commenced on 6th October 1969.

"INCENTIVE PAYMENT" means on and after 1st July 1986 a payment by the Company under the Gallaher Executive Incentive Plan and before 1st July 1986 a payment not made directly by the Company in respect of service for the Company. In this connection -

- (a) where the Incentive Payment received in any period of 12 months is to be ascertained and more than one Incentive Payment is received during that 12 month period, the Incentive Payment received during that 12 month period shall be deemed to be the

amount which the Trustee, after consulting the Company, considers to be equitable; and

- (b) the amount of the last Incentive Payment received before the earlier of Normal Retirement Date and your employment with the Company ending shall be increased by the amount (if any) by which that Incentive Payment falls short of the next following Incentive Payment.

"'M' SCHEME" means the Gallaher 'M' Pension Scheme.

"NORMAL RETIREMENT DATE" means the first day of the month coinciding with or otherwise next following your 60th birthday.

"RULES" means the rules as amended from time to time of either or both of the 'M' Scheme and the 'S' Scheme, as the context requires.

"'S' SCHEME" means the Gallaher 'S' Pension Scheme.

"TRUSTEE" means the trustee of the 'S' Scheme.

3. RETIREMENT AT NORMAL RETIREMENT DATE

On retiring from the Company at Normal Retirement Date you will be entitled to an annual pension equal to two-thirds of Final Pensionable Pay.

4. ILL-HEALTH RETIREMENT

If you are suffering from a permanent incapacity (and this is shown to the Trustee's satisfaction), you may retire from the Company before Normal Retirement Date with an annual pension equal to two-thirds of Final Pensionable Pay multiplied by Group Service completed and divided by Group Service which would have been completed had it continued to Normal Retirement Date.

5. VOLUNTARY EARLY RETIREMENT

With the consent of the Company you may retire from the Company at any time on or after your 50th birthday and draw an immediate pension. Your pension will be calculated in the same way as an ill-health early retirement pension (see 4 above) but will then be reduced by such amount as the Trustee on actuarial advice considers appropriate to allow for early payment.

6. LATE RETIREMENT

You may only continue in Group Service after Normal Retirement Date if the Company agrees. If you do so you will have the choice of whether to remain in pensionable service or not. If you remain in pensionable service, your pension will be based on your Final Pensionable Pay when you retire and you will continue to be covered for death in service benefits (see 9 below). If, however, you terminate your pensionable service your pension will be based on your Final Pensionable Pay as at Normal Retirement Date and cover for death in service benefits will cease. Payment of your pension will then be deferred until you retire or you may start drawing your pension and/or exercising the cash option before retirement at any time after Normal Retirement Date. Your pension will be increased actuarially in respect of any period of deferment.

7. OPTION ON RETIREMENT

On retirement you may exchange part of your pension for -

- (a) a lump sum and/or
- (b) a dependant's pension.

8. DEATH IN SERVICE BEFORE NORMAL RETIREMENT DATE

If you die while in the Company's service before Normal Retirement Date, there will be payable -

(a) LUMP SUM

a lump sum equal to the greater of -

- (i) four times the annual rate of basic salary at the date of death; and
- (ii) three times 70% of the sum of -
 - (A) 105% of the annual rate of basic salary at the date of death; plus
 - (B) any Incentive Payments received during the 12 month period ending on the date of death (or, if greater, the annual average of the Incentive Payments received in the best 5 consecutive years out of the 10 year period ending on the date of death)

(Note - the Company may vary the percentage in (ii) (A) (currently, 105%) from time to time but any reduction shall not

operate so as to make the amount referred to in (ii) (A) less than it would have been had the reduction not been made and had your basic salary continued at the rate in force immediately prior to the reduction being made).

(b) WIDOW'S AND CHILDREN'S PENSIONS

a widow's pension of one-third of Final Pensionable Pay plus children's pensions in accordance with the Rules.

(Note - the widow's pension will be reduced if your widow is more than 10 years younger than you and may be terminated if she remarries before age 60).

9. DEATH IN SERVICE ON OR AFTER NORMAL RETIREMENT DATE

If you die before retiring but after Normal Retirement Date -

- (a) if your pensionable service was continuing after Normal Retirement Date (see 6 above) benefits will be payable under 8 above just as if you had died before Normal Retirement Date but will be based on your applicable earnings level at death;
- (b) if, however, your pensionable service had terminated, benefits will be payable just as if you had retired immediately prior to your death.

10. DEATH IN RETIREMENT

If you die after retiring there will be payable -

- (a) if you die within 5 years from the date of retirement, a lump sum equal to the value of the pension payments which would have been made over the balance of that 5 year period had you survived; and
- (b) a widow's pension equal to 50% of your pension at the date of death plus children's pensions in accordance with the Rules.

(Note - if you are receiving a reduced pension on account of having exercised the cash option, the widow's pension will be based on the full pension which you would have been receiving had you not exercised that option. The pension will be reduced if your widow is more than 10 years younger than you. The widow's pension will not be paid if you married after the earlier of the date of retirement and Normal Retirement Date unless the Company otherwise decides).

11. LEAVING SERVICE

- (a) DEFERRED PENSION

On leaving the Company before Normal Retirement Date, you will be entitled to a pension starting at Normal Retirement Date, equal to two-thirds of Final Pensionable Pay multiplied by Group

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Service completed and divided by Group Service which would have been completed had it continued to Normal Retirement Date.

The pension will be increased up to Normal Retirement Date in accordance with statutory requirements.

(b) TRANSFER OPTION

Alternatively, if you leave the Company more than one year before Normal Retirement Date you may transfer the cash equivalent of the deferred pension to an approved scheme of your new employer or to an appropriate personal pension scheme or a suitable insurance policy.

12. WITHDRAWAL FROM SERVICE FOLLOWING A CHANGE OF CONTROL OF THE COMPANY

(a) PENSION ENTITLEMENT

If

(i) the Company ceases to be beneficially owned (directly or indirectly) to the extent of at least 50% by American Brands Inc; and

(ii) within three years from the event referred to at (i) occurring either -

(A) your employment with the Company terminates for either of the following reasons -

(1) termination by the Company (with or without notice or a payment in lieu of notice) other than in circumstances where the Company is entitled to terminate your employment lawfully without notice and without payment in lieu of notice; or

(2) termination by yourself (with or without notice) in circumstances such that you are entitled to terminate your employment without notice; or

(B) your ceasing to be employed by the Company on the undertaking of the Company being transferred to another person;

you will be entitled to a pension payable from the day next following

the date upon which your employment with the Company ends if you have then attained age 50 but otherwise from your 50th birthday. When your pension starts it will be payable at an annual rate of two-thirds of Final Pensionable Pay reduced by the applicable percentage ascertained from the following table -

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AGE ON CEASING TO BE IN COMPANY'S EMPLOYMENT	PERCENTAGE
59	nil
58	nil
57	nil
56	5
55	10
54	15
53	20
52	24
51	28
50 or under	31

It is intended that your pension will increase during any period of deferment on a similar basis as applies to pensions payable from normal pension age in accordance with Schedule 1A to the Social Security Pensions Act 1975. Therefore, if your employment with the company ends before your 50th birthday, the provisions for revaluation contained in Schedule 1A to the Social Security Pensions Act 1975 shall apply as if your normal pension age was 50.

(b) DEFERMENT OPTION

As an alternative to taking an immediate pension or a pension from age 50 (as the case may be) you may elect to defer payment of your pension up to age 60. Your pension will be increased actuarially in respect of any period of deferment after attaining age 50. If you die while your pension is being deferred, benefits will be payable in respect of you just as if you had retired immediately prior to the date of your death and in the event of your dying before attaining age 50 just as if you had attained that age when you died except that no account shall be taken of any revaluation of your pension after the date of your actual death.

(c) TRANSFER OPTION

While your pension is being deferred as above you may transfer the cash equivalent of the benefits payable to or in respect of you to an approved scheme of your new employer or to an appropriate personal pension scheme or a suitable insurance policy.

13. PENSION INCREASES

Pensions in payment are reviewed by the Trustee at least once a year. Any discretionary increases are subject to the approval of the Company. It is guaranteed that the level of increase will not be less than 2% or the percentage increase in the cost of living, whichever is less.

14. ADDITIONAL BENEFITS

Any benefits secured by voluntary contributions or by the surrender of bonus or salary will be provided in addition to the benefits described above.

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15. MISCELLANEOUS

Your employment is contracted-out of the State earnings related pension scheme by reference to the 'M' Scheme.

You will not be required to contribute to either scheme. The Company contributes at the rate recommended by the actuary. It may terminate its contributions at any time.

The benefits described above are those payable before the exercise of any option available under either the 'M' Scheme or the 'S' Scheme, such as converting pension to cash. It is assumed that the benefits under the two schemes will start at the same time and that a transfer is not made in respect of the benefits under one of the schemes but not the other. However, if this is not the case, the benefits under the 'S' Scheme will be appropriately adjusted by the Trustee on actuarial advice.

You may not assign or charge your benefits in any way. They may be reduced on account of any debt of yours to the Company arising from a criminal, negligent or a fraudulent act or omission.

Either scheme may be varied at any time in accordance with the Rules. The Company may also terminate either scheme.

GALLAHER LIMITED

Mr. P.M. Wilson,
Weybridge.

15th March 1994

Dear Mr. Wilson,

The Gallaher "M" and "S" Pension Schemes

The schedule to Gallaher Limited's letter of 20th September 1991 to you set out the benefits under the above schemes which are applicable to you.

In consequence of the terms of your new service agreement dated 11th February 1994, it is appropriate to change the said schedule and to substitute therefor the schedule attached to this letter, which substitution the Company hereby proposes.

Save as varied by the substitution of a new schedule thereto, the terms of Gallaher Limited's letter of 20th September 1991 shall remain in full force and effect.

Please confirm your agreement to the above proposal and the schedule hereto by signing and returning to me the enclosed copy of this letter.

Yours sincerely,
for and on behalf of Gallaher Limited

B. Rudd

B. Rudd
Secretary

I hereby agree to the terms of the above letter and the schedule thereto of which this is a copy.

P.M. Wilson

15 March 1994

P.M. Wilson

Date

REGISTERED OFFICE:
MEMBERS HILL. BROOKLANDS RD. WEYBRIDGE. SURREY. KT13 0QU

THE GALLAHER 'M' & 'S' PENSION SCHEMES

Schedule to a letter dated fifteenth March 1994

of benefits applicable to

P M WILSON

1. INTRODUCTION

This schedule describes the principal benefits payable under the Gallaher 'M' and 'S' Pension Schemes.

Standard benefits will be paid under the 'M' Scheme. The rest of your benefits will be provided through the 'S' Scheme.

The benefits are subject to the Inland Revenue limits for approval of the schemes under the Income and Corporation Taxes Act 1988.

2. DEFINITIONS

In this schedule -

"COMPANY" means Gallaher Limited;

"FINAL PENSIONABLE PAY" means the greater of -

- (a) 105% of basic salary for the last 12 months of your employment with the Company; and
- (b) 70% of the sum of -
 - (i) 105% of basic salary for the last 12 months of your employment with the Company; plus
 - (ii) any Incentive Payments received during that 12 month period (or, if greater, the annual average of the Incentive Payments received in the best 5 consecutive years out of the 10 year period ending on the last day of your employment

with the Company);

less such sum (if any) as the Trustee decides is appropriate in light of the state pension.

Notes

- (i) the deduction in respect of the state pension is currently (L)470;

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- (ii) the Company may vary the percentage in (a) and (b)(i) (currently 105%) from time to time but any reduction shall not operate so as to make the amounts referred to in those paragraphs less than they would have been had the reduction not been made and had your basic salary continued at the rate in force immediately prior to the reduction being made; and

- (iii) if you continue in employment after Normal Retirement Date paragraph 6 applies.

"GROUP SERVICE" means employment with the Company or any other member of the Gallaher Group of Companies, which shall be deemed to have commenced on 6th October 1969.

"INCENTIVE PAYMENT" means on and after 1st July 1986 a payment by the Company under the Gallaher Executive Incentive Plan and before 1st July 1986 a payment not made directly by the Company in respect of service for the Company. In this connection -

- (a) where the Incentive Payment received in any period of 12 months is to be ascertained and more than one Incentive Payment is received during that 12 month period, the Incentive Payment received during that 12 month period shall be deemed to be the amount which the Trustee, after consulting the Company, considers to be equitable; and
- (b) the amount of the last Incentive Payment received before the earlier of Normal Retirement Date and your employment with the Company ending shall be increased by the amount (if any) by which that Incentive Payment falls short of the next following Incentive Payment.

"'M' SCHEME" means the Gallaher 'M' Pension Scheme.

"NORMAL RETIREMENT DATE" means the first day of the month next following your 60th birthday.

"RULES" means the rules as amended from time to time of either or both of the 'M' Scheme and the 'S' Scheme, as the context requires.

"'S' SCHEME" means the Gallaher 'S' Pension Scheme.

"TRUSTEE" means the trustee of the 'S' Scheme.

3. RETIREMENT AT NORMAL RETIREMENT DATE

On retiring from the Company at Normal Retirement Date you will be entitled to an annual pension equal to two-thirds of Final Pensionable Pay.

4. ILL-HEALTH RETIREMENT

If you are suffering from a permanent incapacity (and this is shown to the Trustee's satisfaction), you may retire from the Company before Normal Retirement Date with an annual pension equal to two-thirds of Final Pensionable Pay multiplied by Group Service completed and divided by Group

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Service which would have been completed had it continued to Normal Retirement Date.

5. VOLUNTARY EARLY RETIREMENT

With the consent of the Company you may retire from the Company at any time before Normal Retirement Date and draw an immediate pension. Your pension will be calculated in the same way as an ill-health early retirement pension (see 4 above) but will then be reduced by such amount as the Trustee on actuarial advice considers appropriate to allow for early payment.

6. LATE RETIREMENT

You may only continue in Group Service after Normal Retirement Date if the Company agrees. If you do so you will have the choice of whether to remain in pensionable service or not. If you remain in pensionable service, your pension will be based on your Final Pensionable Pay when you retire and you will continue to be covered for death in service benefits (see 9 below). If, however, you terminate your pensionable service your pension will be based on your Final Pensionable Pay as at Normal Retirement Date and cover for death in service benefits will cease. Payment of your pension will then be deferred until you retire or you may start drawing your pension and/or exercising the cash option before retirement at any time after Normal Retirement Date. Your pension will be increased actuarially in respect of any period of deferment.

7. OPTION ON RETIREMENT

On retirement you may exchange part of your pension for -

- (a) a lump sum and/or
- (b) a dependant's pension.

8. DEATH IN SERVICE BEFORE NORMAL RETIREMENT DATE

If you die while in the Company's service before Normal Retirement Date, there will be payable -

(a) LUMP SUM

a lump sum equal to the greater of -

- (i) four times 105% of the annual rate of basic salary at the date of death; and
- (ii) three times 70% of the sum of
 - (A) 105% of the annual rate of basic salary at the date of death; plus
 - (B) any Incentive Payments received during the 12 month period ending on the date of death (or, if greater, the annual average of the Incentive Payments received in

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the best 5 consecutive years out of the 10 year period ending on the date of death)

(Note - the Company may vary the percentage in (ii) (A) (currently, 105%) from time to time but any reduction shall not operate so as to make the amount referred to in (ii) (A) less than it would have been had the reduction not been made and had your basic salary continued at the rate in force immediately prior to the reduction being made).

(b) WIDOW'S AND CHILDREN'S PENSIONS

a widow's pension of one-third of Final Pensionable Pay plus children's pensions in accordance with the Rules.

(Note - the widow's pension will be reduced if your widow is more than 10 years younger than you and may be terminated if she remarries before age 60).

9. DEATH IN SERVICE ON OR AFTER NORMAL RETIREMENT DATE

If you die before retiring but on or after Normal Retirement Date -

- (a) if your pensionable service was continuing after Normal Retirement Date (see 6 above) benefits will be payable under 8 above just as if you had died before Normal Retirement Date but will be based on your applicable earnings level at death;
- (b) if, however, your pensionable service had terminated, benefits will be payable just as if you had retired immediately prior to your death.

10. DEATH IN RETIREMENT

If you die after retiring there will be payable -

- (a) if you die within 5 years from the date of retirement, a lump sum equal to the value of the pension payments which would have been made over the balance of that 5 year period had you survived; and
- (b) a widow's pension equal to 50% of your pension at the date of death plus children's pensions in accordance with the Rules.

(Note - if you are receiving a reduced pension on account of having exercised the cash option, the widow's pension will be based on the full pension which you would have been receiving had you not exercised that option. The pension will be reduced if your widow is more than 10 years younger than you. The widow's pension will not be paid if you married after the earlier of the date of retirement and Normal Retirement Date unless the Company otherwise decides).

11. LEAVING SERVICE

(a) DEFERRED PENSION

On leaving the Company before Normal Retirement Date, you will be entitled to a pension starting at Normal Retirement Date, equal to two-thirds of Final Pensionable Pay multiplied by Group Service completed and divided by Group Service which would have been completed had it continued to Normal Retirement Date.

The pension will be increased up to Normal Retirement Date in

accordance with statutory requirements.

If you die while your pension is being deferred, your widow will immediately receive a pension of 50% of the value of your deferred pension as at the date of your death.

(Note - your widow in this context refers to your wife as at the date of you leaving the Company before Normal Retirement Date. The widow's pension will be reduced if your widow is more than 10 years younger than you and may be terminated if she remarries before age 60).

(b) TRANSFER OPTION

Alternatively, if you leave the Company more than one year before Normal Retirement Date you may transfer the cash equivalent of the deferred pension to an approved scheme of your new employer or to an appropriate personal pension scheme or a suitable insurance policy.

12. WITHDRAWAL FROM SERVICE FOLLOWING A CHANGE OF CONTROL OF THE COMPANY

(a) Pension entitlement

If

(i) the Company ceases to be beneficially owned (directly or indirectly) to the extent of at least 50% by American Brands, Inc. or if 20% or more of the common stock of American Brands, Inc. shall come within the beneficial ownership of one person or one concerted group of persons; and

(ii) within three years from the event referred to at (i) occurring either-

(A) your employment with the Company terminates for either of the following reasons -

(1) termination by the Company (with or without notice or a payment in lieu of notice) other than in circumstances where the Company is entitled to terminate your employment lawfully without notice and without payment in lieu of notice; or

(2) termination by yourself (with or without notice) in circumstances such that you are entitled to terminate your

employment without notice; or

- (B) your ceasing to be employed by the Company on the undertaking of the Company being transferred to another person;

you will be entitled to a pension payable from the day next following the date upon which your employment with the Company ends. When your pension starts it will be payable at an annual rate of two-thirds of Final Pensionable Pay reduced by the applicable percentage ascertained from the following table -

Age on ceasing to be in Company's employment -----	Percentage -----
59	nil
58	nil
57	nil
56	5
55	10
54	15
53	20
52	24

(b) DEFERMENT OPTION

As an alternative to taking an immediate pension you may elect to defer payment of your pension up to age 60. Your pension will be increased actuarially in respect of any period of deferment. If you die while your pension is being deferred, benefits will be payable in respect of you just as if you had retired immediately prior to the date of your death.

(c) TRANSFER OPTION

While your pension is being deferred as above you may transfer the cash equivalent of the benefits payable to or in respect of you to an approved scheme of your new employer or to an appropriate personal pension scheme or a suitable insurance policy.

13. PENSION INCREASES

Pensions in payment are reviewed by the Trustee at least once a year. Any discretionary increases are subject to the approval of the Company. It is guaranteed that the level of increase will not be less than 2% or the percentage increase in the cost of living, whichever is less.

14. ADDITIONAL BENEFITS

Any benefits secured by voluntary contributions or by the surrender of bonus or salary will be provided in addition to the benefits described

above.

15. MISCELLANEOUS

Your employment is contracted-out of the State earnings related pension scheme by reference to the 'M' Scheme.

You will not be required to contribute to either scheme. The Company contributes at the rate recommended by the actuary. It may terminate its contributions at any time.

The benefits described above are those payable before the exercise of any option available under either the 'M' Scheme or the 'S' Scheme, such as converting pension to cash. It is assumed that the benefits under the two schemes will start at the same time and that a transfer is not made in respect of the benefits under one of the schemes but not the other. However, if this is not the case, the benefits under the 'S' Scheme will be appropriately adjusted by the Trustee on actuarial advice.

You may not assign or charge your benefits in any way. They may be reduced on account of any debt of yours to the Company arising from a criminal, negligent or a fraudulent act or omission.

Either scheme may be varied at any time in accordance with the Rules. The Company may also terminate either scheme.

Schedule identifying substantially identical agreements,
among American Brands, Inc. ("American") and each of the
following persons to the Agreement constituting Exhibit
10s1 to the Annual Report on Form 10-K of American for
the Fiscal Year ended December 31, 1993

Name

William J. Alley
Thomas C. Hays
Arnold Henson
Howard C. Humphrey
Robert L. Plancher
John T. Ludes
Robert J. Rukeyser
Randall W. Larrimore
Steven C. Mendenhall

AMENDMENT TO TRUST AGREEMENT

THIS AMENDMENT, made as of the 1st day of November, 1993, among AMERICAN BRANDS, INC., a Delaware corporation (the "Company"), THE CHASE MANHATTAN BANK (National Association), incorporated under the laws of the United States of America (the "Trustee") and HEWITT ASSOCIATES, a partnership formed under the laws of Illinois ("Hewitt")

W I T N E S S E T H :

WHEREAS, the Company and the Trustee have entered into a Trust Agreement for the purpose of establishing a trust in order to provide a source of payments under the terms of a Compensation Agreement with William J. Alley and Hewitt is designated as Trustee's Contractor thereunder; and

WHEREAS, the Trust Agreement sets forth the permitted investments of the assets held thereunder and it is desired to change the permitted investments;

NOW, THEREFORE, in consideration of the premises, the parties agree that the third sentence of Section 5.2 of the Trust Agreement is hereby amended to read as follows:

"The investment manager shall invest the assets of the Fund solely in The Chase Manhattan Bank Fixed Income Fund to the extent practicable and otherwise in The Chase Manhattan Bank Personal Trust Market Rate Account."

IN WITNESS WHEREOF, the parties have caused this AMENDMENT to be duly executed as of the day and year first written above.

AMERICAN BRANDS, INC.

Attest:

Theresa B. Fealey

Assistant Secretary

Steven C. Mendenhall
By-----
Steven C. Mendenhall
Vice President and
Chief Administrative Officer

THE CHASE MANHATTAN BANK

Attest:

Mark W. Moore

Assistant Treasurer

William P. Barbeosch
By-----
William P. Barbeosch
Vice President

HEWITT ASSOCIATES

Witness:

Peter E. Ross

C.L. Connolly, III
By-----

I hereby consent to the foregoing AMENDMENT.

Witness:

Steven C. Mendenhall

William J. Alley

William J. Alley

STATE OF)
 : ss.: , -November , 1993
COUNTY OF)

Personally appeared ,

of HEWITT ASSOCIATES, signer and sealer of the
foregoing instrument, and acknowledged the same to be his free act and deed
as such and the free act and deed of said
Corporation, before me.

Notary Public

STATE OF CONNECTICUT)
 : ss.: Old Greenwich, CT-November 18, 1993
COUNTY OF FAIRFIELD)

Personally appeared William J. Alley, signer of the foregoing
instrument, and acknowledged the same to be his free act and deed, before
me.

Louis F. Fernous, Jr.

Notary Public

STATE OF ILLINOIS)
 : ss.: Lincolnshire, IL-November 19, 1993
COUNTY OF LAKE)

Personally appeared C.L. Connolly, III, Partner of HEWITT
ASSOCIATES, signer and sealer of the foregoing instrument, and acknowledged

the same to be his free act and deed as such Partner and the free act and deed of said Partnership, before me.

Barbara L. Stern

Notary Public

Schedule identifying substantially identical agreements, among American Brands, Inc. ("American") and The Chase Manhattan Bank (National Association), et al. establishing a trust in favor of each of the following persons, to the Trust Agreement and Amendment thereto constituting Exhibits 10t1 and 10t2, respectively, to the Annual Report on Form 10-K of American for the Fiscal Year ended December 31, 1993

Name

Thomas C. Hays
Arnold Henson
Robert L. Plancher
Gilbert L. Klemann, II
John T. Ludes
Howard C. Humphrey
Robert J. Rukeyser
Randall W. Larrimore
Steven C. Mendenhall

Schedule identifying substantially identical agreements,
among American Brands, Inc. ("American") and each of the
following persons, to the Agreement constituting Exhibit
10v1 to the Annual Report on Form 10-K of American for
the Fiscal Year ended December 31, 1993

Name

Arnold Henson
Robert L. Plancher
John T. Ludes
Robert J. Rukeyser
Steven C. Mendenhall

AMERICAN BRANDS, INC.

Statement setting forth net income for computation of earnings per
Common share - primary and fully diluted:

	Years Ended December 31,		
	1993	1992	1991
	----	----	----
	(In millions)		
Income before cumulative effect of accounting changes	\$668.2	\$883.8	\$806.1
Preferred stock dividend requirements	1.6	9.1	13.8
	-----	-----	-----
Income before cumulative effect of accounting changes for computing earnings per Common share - Primary	666.6	874.7	792.3
Cumulative effect of accounting changes	(198.4)	-	-
	-----	-----	-----
Net income for computing earnings per Common share - Primary	468.2	874.7	792.3
Interest expense and related charges on Convertible debentures, net of income taxes	21.3	22.1	26.2
Convertible Preferred stock dividend requirements	1.6	1.8	2.1
	-----	-----	-----
Net Income for computing earnings per Common share - Fully diluted	\$491.1	\$898.6	\$820.6
	=====	=====	=====

Statement setting forth computation of weighted average number of Common
shares outstanding on a fully diluted basis:

	Years Ended December 31,		
	1993	1992	1991
	----	----	----
	(In millions, except per share amounts)		
Weighted average number of Common shares outstanding during each year - Primary	201.8	204.0	202.6
Addition from assumed conversion as of			

the beginning of each year of the Convertible Preferred stock outstanding at the end of each year	2.3	2.5	3.0
Addition from assumed conversion of Convertible debentures	9.3	9.4	9.3
Other additions	0.3	1.5	4.8
	-----	-----	-----
Weighted average number of Common shares outstanding during each year on a Fully diluted basis	213.7	217.4	219.7
	=====	=====	=====
EARNINGS PER COMMON SHARE			
Primary			
Income before cumulative effect of accounting changes	\$3.30	\$4.29	\$3.91
Cumulative effect of accounting changes	(.98)	-	-
	-----	-----	-----
Net income	\$2.32	\$4.29	\$3.91
	-----	-----	-----
Fully diluted			
Income before cumulative effect of accounting changes	\$3.23	\$4.13	\$3.74
Cumulative effect of accounting changes	(.94)	-	-
	-----	-----	-----
Net income	\$2.29	\$4.13	\$3.74
	=====	=====	=====

AMERICAN BRANDS, INC.

Statement Re Computation of Ratio of Earnings to Fixed Charges
(Dollar amounts in millions)

	Years Ended December 31,				
	1989	1990	1991	1992	1993
Continuing Operations					
Earnings Available:					
Income before provision for taxes on income and minority interest	\$1,065.2	\$1,044.6	\$1,241.4	\$1,401.9	\$1,079.6
Less: Excess of earnings over dividends of less than fifty percent owned companies	0.1	0.1	0.1	0.3	0.8
Capitalized interest	1.9	1.5	1.0	1.0	2.5
	1,063.2	1,043.0	1,240.3	1,400.6	1,076.3
Fixed Charges:					
Interest expense (including capitalized interest) and amortization of debt discount and expenses	292.7	290.2	276.6	283.4	258.7
Portion of rentals represent- ative of an interest factor	22.0	27.6	30.7	32.6	30.1
Total Fixed Charges	314.7	317.8	307.3	316.0	288.8
Total Earnings Available	\$1,377.9	\$1,360.8	\$1,547.6	\$1,716.6	\$1,365.1
Ratio of Earnings to Fixed Charges	4.38	4.28	5.04	5.43	4.73

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FINANCIAL SECTION

AMERICAN BRANDS, INC. AND SUBSIDIARIES

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RESULTS OF OPERATIONS

(In millions)	Revenues			Operating Income		
	1993	1992	1991	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tobacco products						
International	\$ 5,940.0	\$ 6,376.6	\$ 6,373.7	\$ 486.5	\$ 554.4	\$ 528.4
Domestic	1,501.5	1,780.3	1,726.4	169.2	536.1	540.8
Total Tobacco	7,441.5	8,156.9	8,100.1	655.7	1,090.5	1,069.2
Distilled spirits	1,194.6	1,268.3	1,061.2	214.7	195.8	151.6
Life insurance	1,070.9	965.5	870.4	217.3	165.3	151.8
Hardware and home improvement products	1,119.5	1,014.8	902.3	155.5	159.0	141.5
Office products	977.2	1,003.5	982.3	63.2	58.1	37.7
Specialty businesses	1,897.7	2,214.6	2,147.5	91.5	86.3	79.0
	\$13,701.4	\$14,623.6	\$14,063.8	\$1,397.9	\$1,755.0	\$1,630.8

</TABLE>

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CONSOLIDATED

1993 compared to 1992

Revenues and operating income declined 6% and 20%, respectively. Translation of foreign currencies at substantially lower average exchange rates adversely affected revenues and operating income by \$1.4 billion and \$100.3 million, respectively. Excluding the effect of foreign exchange, revenues would have been up 3% on price increases (including excise tax increases) and new products, partly offset by significant unit declines in domestic tobacco. Operating income, excluding the effect of foreign exchange, restructuring items and a \$29.9 million domestic tobacco trade inventory buydown, would have been down 10%. The decrease reflected lower cigarette units, unfavorable tobacco product mix and higher marketing expenses, partly offset by price increases and higher realized investment gains in the life insurance segment.

Interest and related charges decreased \$25.9 million (10%) on lower average interest and foreign exchange rates.

Earnings per share before the cumulative effect of accounting changes was \$3.30, down 23% compared with \$4.29 last year. Excluding restructuring items, the buydown of domestic tobacco trade inventories and currency translation, earnings per share before accounting changes would have been \$3.89, down 9% from last year. Net income of \$469.8 million, or \$2.32 per

Common share, was down 47%, also reflecting a non-cash charge of \$198.4 million, or 98 cents per share, due to the adoption of FAS Statements No. 106, 112, and 115 as described on page 21, Notes to Consolidated Financial Statements.

Several conditions indicate that profit comparisons in 1994 may continue to be unfavorable. With slow growth, low inflation economies prevailing through much of the world, price competition is intense in virtually every market and seems likely to endure for the foreseeable future. This will tend to have an adverse impact on margins and profits, particularly in tobacco. Profit comparisons in the life insurance segment are also likely to be difficult due to extraordinarily high realized investment gains during 1993.

For a description of certain pending litigation, see page 49, Notes to Consolidated Financial Statements. As stated therein, while it is not possible to predict the outcome of such litigation or its effect on the results of operations for any period, management believes that there are meritorious defenses to the pending actions and that the pending actions will not have a material adverse effect upon the financial condition of the Company.

The Company is involved in proceedings concerning the discharge of materials into the environment and the handling, disposal and clean-up of waste materials and otherwise relating to the protection of the environment. As of February 1, 1994, various subsidiaries of the Company had been designated as potentially responsible parties under "Superfund" or similar state laws with respect to 39 sites. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that the Company's subsidiaries may undertake in the future, in the opinion of management compliance with the present environmental protection laws, before taking into account estimated recoveries from third parties, will not have a material adverse effect on the Company's competitive position, financial condition or results of operations.

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1992 compared to 1991

Record revenues and operating income rose 4% and 8%, respectively. Revenues were favorably affected by higher prices (which included excise tax increases in international tobacco products), the results of certain distilled spirits products for which trademarks were acquired at the end of 1991 and benefits from new products and line extensions, partly offset by volume declines (principally tobacco products). Operating income also reflected higher realized investment gains in the life insurance segment. Translation of pounds sterling did not have a significant impact on results.

Corporate administrative expenses decreased \$53.8 million, reflecting a reduction in legal and stock appreciation rights expenses in 1992, while 1991 included a substantial increase in nontobacco legal reserves.

The effective income tax rate increased from 34.9% to 36.8%, reflecting a lower tax differential relating to foreign operations and lower tax benefits from the utilization of tax loss carryforwards.

Record net income was \$883.8 million, or \$4.29 per Common share, compared with \$806.1 million, or \$3.91 per Common share in 1991.

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TOBACCO PRODUCTS

1993 compared to 1992

Worldwide revenues decreased 9% and operating income declined 40%; total cigarette units decreased 1.5%.

International tobacco revenues in sterling increased 11% on price increases, which principally resulted from higher U.K. tobacco taxes, and a 5.4% increase in total cigarette volume (including exports and line extensions), partly offset by an unfavorable product mix. U.K. cigarette volume increased 2.3% as compared to an estimated industry volume increase of 1.9%. Underlying consumer demand is estimated to have declined in the area of 5.5%. Results benefited from substantial buying by the trade in anticipation of the November 1993 U.K. budget increase. Continuing the trend in recent years, the U.K. budgets announced in November and March 1993, and March 1992 each provided for an increase in taxes on tobacco products with the result that the tax on a typical pack of cigarettes increased 11 pence, 10 pence and 13 pence, respectively. The continuing impact of price increases, principally due to substantial excise tax increases, combined with the prolonged recession, have reduced annual industry volumes, led to greater price competition and increased trading down by consumers to lower priced brands. These changes are particularly affecting Gallaher, the majority of whose sales are in the premium sector. Despite these factors, Gallaher maintained its position as the #1 tobacco company in the U.K. with an estimated 41.7% cigarette market share for the year compared to 41.5% in 1992 and its share of consumer sales increased. Operating income in sterling increased 4%, resulting from price increases and the 5.4% total volume increase, partly offset by higher advertising costs associated with the launch of Benson and Hedges Superkings, and

restructuring charges. On a comparable basis with 1992, excluding restructuring items, operating income in sterling would have increased 8%. Gallaher has moved decisively to control costs, with a plant closing and workforce reductions completed or announced totaling over 16% of its prior year employment. Translated at substantially lower average exchange rates, revenues and operating income in dollars declined 7% and 12%, respectively.

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Domestic tobacco revenues declined 16% on substantial volume declines, price decreases, and a \$29.9 million charge related to a buydown of trade inventories, partly offset by new products. The effects of list price reductions were partly offset by the four cents per pack increase in federal excise taxes on January 1, 1993. Although both the industry and American Tobacco's U.S. shipments declined about 9% in 1993, reflecting changes in trade buying patterns, it is estimated that the underlying decline in consumer demand was in the range of 3% to 4%. American Tobacco maintained its market share for 1993 at about 6.75%. Unit sales of the more profitable premium brands, particularly nonfilter and charcoal filter brands, were down 20.9% and continued to decline in excess of the overall industry decline in recent years. The industry's less profitable price-value category, comprising discount and deep discount brands, grew from 30% to 37% as price increases over the years, including excise taxes, have resulted in trading down by consumers, particularly to deep discount brands. American Tobacco's price-value brands unit sales increased 5.3% as the introduction of deep discount brands (Private Stock in June 1992, Prime in September 1992 and Summit in March 1993) more than offset declines in discount brands. Price-value brands accounted for 52% of American Tobacco's U.S. unit sales, compared to 45% in 1992. Operating income declined 68% on volume declines, lower prices (including buydown costs), a less favorable product mix, higher promotional expenses to meet intense competitive activity and \$44 million in restructuring provisions (principally for voluntary early retirement programs), partly offset by a \$25.5 million gain in connection with an exchange of trademarks.

The intense price and promotional competition in the domestic tobacco industry continues. In August, American Tobacco's principal competitors decreased list prices of their premium and discount brands and increased prices of their deep discount brands. American Tobacco announced similar decreases in list prices of its premium and discount brands, but did not significantly change the prices of its deep discount brands. In November, American Tobacco and its competition raised prices of certain brands, but the amount of these increases was far less than the amount of the August decreases. Conditions in the U.S. tobacco market remain unsettled. Profit comparisons for American Tobacco are likely to be difficult in 1994, particularly in the first half. The full impact of the lower prices and, conversely, the primary benefit of American Tobacco's cost reduction programs including lower ongoing marketing expenses, will not be realized until 1994. American Tobacco expects continued pressure on units, product mix and margins, and is hopeful, based on its assessment of the current market conditions, that comparisons will improve as the year progresses and that full year results for 1994 will approximate 1993's result.

In addition to the previously discussed increases in U.S. and U.K. tobacco excise taxes, the Clinton administration has proposed increasing the tax on cigarettes from 24 cents to 99 cents per pack. Legislation has also been introduced in the U.S. Congress that would increase excise taxes on cigarettes. The effects of any of the foregoing cannot be determined but will likely add to the overall industry declines and the shift to lower priced brands. In addition, further restrictions on advertising and use of tobacco products in the U.S., the U.K. and elsewhere are possible. A change in timing of the U.K. budget resulted in a second budget announcement on November 30, 1993, and thereafter will be at about the same time each year. This change had the effect of drawing significant sales into the fourth quarter of 1993 from the first quarter of 1994. As a result, the first quarter 1994 comparison will be especially difficult as 1993's first

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quarter benefited from trade buying in anticipation of the March U.K. budget increase.

Recent legislation restricts the use of imported tobacco in U.S. manufactured cigarettes. Based on the preliminary rules issued, the impact of this legislation may increase American Tobacco's 1994 manufacturing cost by an estimated \$10 million.

1992 compared to 1991

Revenues increased 1% and operating income increased 2%. Worldwide cigarette unit sales decreased 3.8%.

International tobacco revenues in sterling increased slightly as price increases, which principally resulted from higher U.K. tobacco taxes, line extensions and new products were largely offset by a 10.9% decline in U.K. cigarette unit sales. The U.K. industry declined 6.7%. Export sales increased principally on shipments of cigarettes to markets in the C.I.S.

The U.K. budgets, announced in March 1992 and March 1991, each provided for an increase in taxes on tobacco products with the result that the tax on a pack of cigarettes increased 13 pence and 22 pence, respectively. The decline in unit sales reflected the continuing impact of price increases, including the effect of substantial excise tax increases, which, combined with the prolonged recession, reduced industry volumes and led to greater price competition and increased trading down by consumers to lower priced brands. These changes particularly affected Gallaher, the majority of whose sales are in the premium sector. Despite the decline in unit sales, Gallaher maintained its position as the #1 tobacco company in the U.K. with an estimated 41.5% cigarette market share for 1992, compared to 43.5% in 1991. Operating income in sterling was up 6% on higher gross margin, favorable comparison to the 1991 provision for workforce reductions and lower expenses. Dollar revenues and operating income percentage changes approximated the sterling results.

Record domestic tobacco revenues increased 3% on price increases and unit gains in price-value brands, resulting from product introductions and exports, partly offset by substantial unit declines in premium brands. American Tobacco's U.S. unit sales were down 4.3%, while industry unit sales declined slightly, and market share for the year was 6.76% compared to 7.03% for 1991. Price-value brands accounted for 45% of American Tobacco's U.S. unit sales, compared with 38% in 1991. Operating income declined 1% on substantially higher promotional expenses to meet competitive activity and less favorable product mix, almost offset by price increase benefits and reductions in coupon redemption accruals.

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DISTILLED SPIRITS

1993 compared to 1992

Revenues decreased 6% while record operating income in 1993 rose 10%.

Beam's revenues were down 5% on lower domestic volume principally reflecting competitive pricing pressures, the effect of lower foreign exchange rates and a domestic bulk sale last year. U.S. distilled spirits consumption continued its long-term decline. Worldwide branded case sales were down 1.7% and domestic branded cases declined 4.6%. Record operating income was up slightly on the timing of operating expenses and higher margins, partly offset by higher international selling costs. With recent heavy price competition and consumer rebates, margins may well be under pressure as the intensifying competitive situation may limit future price increases.

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Whyte & Mackay revenues in sterling were up 6% on inclusion of Invergordon for one month and higher volume, mainly in export markets, partly offset by 1992's significant level of bulk sales. Excluding Invergordon, worldwide case sales were up 10.4% and U.K. case sales were up 6.5%. Translated at substantially lower average foreign exchange rates, revenues were down 9% in dollars. Operating income in sterling and dollars was up with continuing profit improvement from higher margins, despite the lingering effects of the U.K. recession and competitive pricing pressures, partly offset by higher general and administrative expenses. Operating income included a \$6.7 million benefit resulting from the application of the equity method to prior periods for Invergordon.

The 1993 U.K. budgets did not provide for increases in excise taxes on distilled spirits as compared with an increase in taxes of 31 pence on a typical bottle announced in March 1992 and an increase of 84 pence announced in March 1991. The U.S. federal excise tax on distilled spirits was increased by one dollar per proof gallon on January 1, 1991. It is possible that any future tax increases as well as any restrictions on advertising would have an adverse effect on unit sales and add to continuing industry declines.

1992 compared to 1991

Record revenues and operating income increased 20% and 29%, respectively, primarily reflecting the results of certain distilled spirits products acquired by Beam at the end of 1991, which contributed to margin growth and case sales.

Beam achieved record results, as revenues and operating income increased 30% and 39%, respectively, with worldwide branded case sales up 29%. Excluding the acquired brands, Beam's worldwide branded case sales would have increased 3%. U.S. industry volume continued to decline and was down about 3% in 1992. Additionally, operations benefited from a domestic bulk sale in 1992.

Whyte & Mackay revenues in sterling were down 9% on lower units, and after translation into dollars, revenues declined 11%. While bulk sales, which are highly profitable, declined substantially, worldwide branded case sales rose 1.6%. Results continued to be adversely affected by severe price competition, trading down by consumers to lower priced products in a prolonged recessionary climate and higher marketing expenses.

=====

LIFE INSURANCE

1993 compared to 1992

Record revenues were up 11% on higher net investment income, reflecting a larger investment portfolio and \$51.8 million higher realized investment gains (principally due to bond redemptions), as well as increased commissions and allowances on group health reinsurance assumed. The higher realized investment gains in 1993 will result in very difficult comparisons through 1994. Future investment gains and redemptions are dependent on market conditions and cannot be predicted. The adoption of FAS No. 115, which requires that unrealized gains and losses on trading securities be included as a component of income, could result in increased volatility in future period results. The continuing large number of high coupon bond redemptions will adversely affect future net investment income. Record operating income increased 31% as the higher revenues were partly offset by increased insurance benefits and selling and administrative expenses. Excluding realized investment gains, operating income was up slightly.

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1992 compared to 1991

Revenues were up 11%, principally on a \$47.8 million increase in net investment income, reflecting both a larger investment portfolio and \$20.2 million higher realized investment gains, due to bond redemptions. Premiums increased \$42.1 million, principally from assumption reinsurance agreements and higher ordinary life and annuity sales. Operating income increased \$13.5 million (9%), reflecting the \$20.2 million increase in investment gains, partly offset by higher policy reserves, benefits paid and operating expenses.

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HARDWARE AND
HOME IMPROVEMENT PRODUCTS

1993 compared to 1992

Revenues were up 10%, reaching record levels in all companies, on new products, price increases and volume gains. Operating income was down 2%. Excluding last year's one-time gain from a change in an employee benefit program, operating income would have been up 2%, reflecting price and volume gains, partly offset by higher manufacturing costs associated with the introduction of several new faucet lines, unfavorable product mix and higher marketing and administrative expenses.

1992 compared to 1991

Record revenues and operating income both increased 12%. All companies posted record revenues on strong volumes, product introductions and price increases. Moen increased its share of the U.S. faucet market and Aristokraft increased its share of the U.S. kitchen and bath cabinet market with higher volume. Excluding the one-time benefit from a change in an employee benefit program in 1992, operating income would have been up 7% despite substantially increased marketing expenses. Moen and Aristokraft achieved record operating income while Master Lock, which was heavily supporting new products, was down slightly.

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OFFICE PRODUCTS

1993 compared to 1992

Revenues declined 3%, reflecting the absence of two nonstrategic businesses sold in 1992 and substantially lower average foreign exchange rates. Excluding these items, revenues would have been up 8%. Revenues benefited from new products and volume gains resulting in an increase in market share, particularly in the faster growing channels of distribution, despite continuing pricing pressures. Operating income was up 9%, principally reflecting volume gains and the benefits of ongoing cost reductions, partly offset by translation at substantially lower average foreign exchange rates and the continuing effects of pricing pressures. On a comparable basis, principally excluding the effects of the two businesses sold and the lower average foreign exchange rates, operating income would have been up 24%.

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1992 compared to 1991

Revenues and operating income increased 2% and 54%, respectively. Excluding a gain on the sale of nonstrategic businesses in the U.K., operating income would have been up 32%. Significant improvements in customer service contributed to unit growth and market share gain in spite of weak economies in all of ACCO's major markets, particularly Europe and Australia. Despite intense price competition and a shift of distribution

channels to larger retailers and buying groups, margins improved from benefits of facilities rationalization, restructuring and cost reduction programs.

=====

SPECIALTY BUSINESSES

1993 compared to 1992

Revenues declined 14%. In sterling, revenues from foreign businesses declined 5% primarily on retail distribution's volume declines and fewer outlets, partly offset by price increases. Optical, in sterling, declined slightly as effects of lower exchange rates and volume declines were almost offset by price increases. Golf and leisure products posted record revenues, up 9%, on new products, volume gains and price increases, partly offset by unfavorable exchange rates. Operating income increased 6%. In sterling, operating income from foreign businesses increased 9%. Results of optical were up 40% in sterling, reflecting improved margins on higher prices and cost reductions, and lower advertising and other expenses. Retail distribution declined 29% in sterling, on the volume decreases and higher selling and other expenses. Record golf and leisure products operating income increased 19% on record revenues, partly offset by higher advertising costs to meet competitive activity. In dollars, revenues and operating income from foreign businesses declined 19% and 5%, respectively, due to translation at substantially lower average foreign exchange rates.

1992 compared to 1991

Revenues and operating income increased 3% and 9%, respectively, primarily on golf and leisure products increases. Record revenues and operating income for golf and leisure products rose 6% and 16%, respectively, on product introductions, line extensions and price increases. Results of optical in sterling were slightly ahead. Retail distribution revenues declined 1% in sterling, reflecting volume decreases in a recessionary market and unfavorable comparisons due to fewer outlets, partly offset by price increase benefits. Operating income in sterling decreased 28%, reflecting the volume decreases and higher marketing expenses. Housewares revenues declined 5% in sterling on lower volume due to effects of the continuing recession. Improved operating efficiencies resulted in a lower sterling operating loss in 1992.

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FINANCIAL REVIEW

AMERICAN BRANDS, INC. AND SUBSIDIARIES

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EARNINGS

Earnings per Common share decreased to \$2.32 in 1993, from \$4.29 in 1992, principally reflecting weaker domestic tobacco earnings, a one-time, non-cash charge due to the adoption of the FAS Statements, the unfavorable impact of sterling translation, and restructuring charges.

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DIVIDENDS

Dividends paid on Common stock in 1993 rose to \$397.5 million, or \$1.97 per share, from \$368 million, or \$1.805 per share in 1992, marking the 26th consecutive year in which the dividend paid increased. The Common stock dividend paid per share has increased 74% over the past five years compared to an increase in the Consumer Price Index of 21%. 1993 marked the 89th consecutive year in which the Company paid dividends.

The quarterly dividend on the Common stock paid during 1993 was unchanged at 49.25 cents per share.

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CASH FLOW

Net Cash Provided from Operating Activities

Net cash provided from operating activities in 1993 of \$967.6 million, which compared with \$1.08 billion in 1992, exceeded the funds required for

capital expenditures and dividends by \$318.6 million. The reduction was principally due to a decline in net income and an increase in inventories, partly offset by a reduction in accrued excise and other taxes. The changes in inventories and accrued taxes were primarily due to a change in the timing of the U.K. budget and 1992 changes in pre-U.K. budget restrictions on inventory movements. In addition, accrued excise and other taxes decreased in 1992 due to a change in VAT collection procedures in the U.K.

Additionally, cash flow benefited from a decrease in accounts receivable due to lower domestic tobacco sales and enhanced collections and an increase in accounts payable, accrued expenses and other liabilities due to higher provisions at domestic tobacco for advertising and rebates and reserves for restructuring activities.

Net Cash Used by Investing Activities

Net cash used by investing activities of \$1.04 billion compared with \$693.5 million in 1992.

The capital expenditures program is focused on the operating companies becoming the lowest cost producers of the highest quality products. Capital expenditures for 1993 of \$249.9 million decreased 13.4% compared to 1992 expenditures of \$288.5 million reflecting a reduction in expenditures in domestic tobacco. Capital expenditures by industry segments are shown on page 49, Notes to Consolidated Financial Statements. Funds for 1994 capital expenditures, budgeted at approximately \$260 million, are expected to be generated internally.

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Acquisitions. On June 30, 1993, The American Tobacco Company acquired from B.A.T Industries, PLC the Benson and Hedges cigarette trademark in Europe in exchange for its Lucky Strike and Pall Mall trademarks overseas, and \$107.2 million in cash and contingent payments based on future volume.

During the fourth quarter 1993, Whyte & Mackay purchased the remaining outstanding ordinary shares of Invergordon for \$343.6 million.

Life insurance investing activities increased primarily due to substantial calls of fixed income investments and reinvestment of the proceeds.

Net Cash Provided (Used) by Financing Activities

Net cash provided by financing activities of \$76.5 million compared to a use of \$333.1 million in 1992. The increase resulted primarily from higher net borrowings and lower treasury stock purchases in 1993 and, in 1992, the redemption of the \$2.75 Preferred stock for \$134.4 million. The increase was partially offset by a lower net increase in deposits in investment-type contracts.

=====

FINANCIAL POSITION

At year end, total debt increased \$443.8 million to \$3.7 billion. Short-term debt increased \$358.2 million to \$1.2 billion and long-term debt increased \$85.6 million to \$2.5 billion. The ratio of total debt to total capital increased from 42.9% for 1992 to 46.2% at year-end 1993. The increase was as a result of the acquisitions and the year end U.K. budget announcement. The average ratio of total debt to total capital was 43.8% in 1993 compared to 42.7% in 1992.

During the year, the Company issued \$150 million of 7-7/8% Debentures, Due 2023. The net proceeds from this issuance was used for general corporate purposes, including the repayment of outstanding debt. During 1993, 75 million pounds sterling of 9-3/4% Notes and \$20 million in Medium Term Notes matured.

At December 31, 1993, the Company had \$850 million of debt securities (including Medium Term Notes) available for sale under its shelf registration with the Securities and Exchange Commission.

At year end, the Company had \$4 billion of long-term credit facilities, of which \$3.8 billion remained unused. These facilities are available for general corporate purposes, including acquisitions and support of the Company's short-term borrowings in the commercial paper market. In addition, Gallaher has committed short-term revolving credit agreements of 300 million pounds sterling (approximately \$444 million) which are available for general corporate purposes, including acquisitions.

The Company believes that its internally generated funds, together with its access to global credit markets, are more than adequate to meet its capital needs.

Working capital decreased from \$664.4 million in 1992 to \$575.4 million in 1993. Management believes this is an adequate level to support continued growth.

Life insurance net assets were \$1.3 billion, up \$69.8 million. Although life insurance net assets and cash flow are consolidated in the financial statements, generally Franklin is restricted by the insurance laws of the State of Illinois as to amounts that can be transferred to the Company in the form of dividends, loans or advances without approval of the Director of Insurance. This restriction has not had and is not expected to have a material effect on the ability of the Company to meet its cash obligations.

Life insurance investments in 1993 increased by \$487.6 million primarily reflecting increases in fixed maturities and mortgage loans.

At December 31, 1993, the unrealized gain on Franklin's held-to-maturity portfolio was \$467.1 million.

In 1993, independent insurance analysts continued to rate Franklin highly in terms of financial strength. Franklin has consistently followed a conservative investment program and has maintained a high-quality portfolio. At year-end, only 4.5% of Franklin's held-to-maturity portfolio was in non-investment grade securities. Its mortgage loans represented 9.2% of its investment portfolio, and its non-performing assets comprised less than 1%.

Franklin's insurance and investment-type contracts contain provisions that permit surrender for cash. At December 31, 1993, outstanding contracts representing approximately 22% of the liabilities for these products provided for withdrawal fees, which may discourage early surrender. During 1993, contracts representing less than 4% of these liabilities were surrendered prior to maturity. Such surrenders are a part of the normal course of business and do not reflect any significant change in surrender activity.

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FOREIGN EXCHANGE

The Company has sizeable investments in, and derives substantial income from, Europe (primarily the United Kingdom). Therefore, changes in the value of foreign currencies, principally sterling, can have a significant effect on its financial statements when translated into dollars.

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TAXES

Federal excise taxes on cigarettes increased four cents per pack on January 1, 1993. In 1993, U.K. taxes on cigarettes increased 12%. Total domestic and international excise taxes were \$5.4 billion and income taxes amounted to \$407.9 million. Including Social Security and other taxes, the Company's total taxes amounted to \$6 billion, as compared with \$6.5 billion in 1992.

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COMMON STOCKHOLDERS' EQUITY

Common stockholders' equity at year end was \$4.3 billion. Equity remained flat primarily resulting from the charge to net income due to the adoption of the FAS Statements and the purchase of 1.1 million shares for the treasury, offset by results from operations net of dividends to stockholders. In 1993, Common stockholders' equity also reflected a decrease of \$56.5 million due to foreign currency translation adjustments.

Return on average Common stockholders' equity was 11.1% as compared to 20.3% in 1992. Excluding the impact of the one-time charge due to the adoption of the FAS Statements, the return on equity would have been 15.2%.

At year end, the Company had 27.8 million treasury shares, an amount sufficient to cover future requirements of shares deliverable upon conversions of outstanding preferred stock and debentures, the exercise of outstanding stock options and in connection with other stock-based awards.

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During the year, American Brands Common stock traded within a range of \$28.50 to \$40.625. The Common stock generated a total return of 258.7%, or 13.6% compounded annually, over the ten-year period ended December 31, 1993.

Book value per Common share was \$21.09 at year end.

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QUARTERLY COMMON STOCK
DIVIDEND PAYMENTS

1993		1992	
Payment Date	Amount per Share	Payment Date	Amount per Share
3/1/93	\$.4925	3/2/92	\$.4375
6/1/93	.4925	6/1/92	.4375
9/1/93	.4925	9/1/92	.4375
12/1/93	.4925	12/1/92	.4925
	\$1.97		\$1.805

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QUARTERLY COMPOSITE
COMMON STOCK PRICES

	1993		1992	
	High	Low	High	Low
First	40-5/8	31-7/8	46-1/2	42-3/4
Second	34-1/4	28-1/2	49-3/8	42-3/4
Third	34-3/8	29-7/8	49-7/8	44-1/2
Fourth	35-3/4	32	46	39

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The Common stock is listed on the New York Stock Exchange, which is the principal market for this security. The high and low prices are as reported in the consolidated transaction reporting system.

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QUARTERLY FINANCIAL DATA unaudited

(In millions, except per share amounts)

1993	1ST	2ND	3RD	4TH
Revenues	\$3,737.6	\$2,846.0	\$3,302.0	\$3,815.8
Operating income	430.8	316.5	248.0	402.6
Income before cumulative effect of accounting changes	247.1	151.3	85.0	184.8
Cumulative effect of accounting changes	(201.0)	--	--	2.6
Net income	46.1	151.3	85.0	187.4
Earnings per Common share				
Primary				
Income before cumulative effect of accounting changes	\$1.22	\$.75	\$.42	\$.91
Cumulative effect of accounting changes	(.99)	--	--	.01
Net income	\$.23	\$.75	\$.42	\$.92
Fully diluted				
Income before cumulative effect of accounting changes	\$1.18	\$.73	\$.42	\$.90
Cumulative effect of accounting changes	(.95)	--	--	.01
Net income	\$.23	\$.73	\$.42	\$.91
1992	1st	2nd	3rd	4th
Revenues	\$3,833.6	\$3,245.0	\$3,773.1	\$3,771.9
Operating income	473.4	398.0	420.8	462.8
Net income	245.2	202.6	202.7	233.3
Earnings per Common share				
Primary	\$1.18	\$.98	\$.98	\$1.15
Fully diluted	1.14	.94	.95	1.10

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<TABLE>
<CAPTION>

CONSOLIDATED STATEMENT OF INCOME

AMERICAN BRANDS, INC. AND SUBSIDIARIES

For years ended December 31 (In millions, except per share amounts)	1993	1992	1991
<S>	<C>	<C>	<C>
REVENUES			
Consumer products	\$12,630.5	\$13,658.1	\$13,193.4
Life insurance	1,070.9	965.5	870.4
	13,701.4	14,623.6	14,063.8
OPERATING EXPENSES			
Cost of products sold	3,587.6	3,823.5	3,685.6
Excise taxes on products sold	5,413.9	5,783.3	5,684.8
Insurance benefits	654.2	646.3	571.0
Advertising, selling and administrative expenses			
Consumer products	2,315.2	2,388.5	2,271.4
Life insurance	188.2	143.1	136.8
Amortization of intangibles	103.6	92.4	83.4
Restructuring charges (credits), net	40.8	(8.5)	--
	12,303.5	12,868.6	12,433.0
OPERATING INCOME	1,397.9	1,755.0	1,630.8
Interest and related charges	244.2	270.1	264.0
Corporate administrative expenses	78.1	80.7	134.5
Other (income) expenses, net	(0.5)	6.1	(5.7)
	321.8	356.9	392.8
INCOME BEFORE INCOME TAXES	1,076.1	1,398.1	1,238.0
Income taxes	407.9	514.3	431.9
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	668.2	883.8	806.1
Cumulative effect of accounting changes (net of income taxes of \$122.5)	(198.4)	--	--
NET INCOME	\$ 469.8	\$ 883.8	\$ 806.1

EARNINGS PER COMMON SHARE

Primary			
Income before cumulative effect of accounting changes	\$3.30	\$4.29	\$3.91
Cumulative effect of accounting changes	(.98)	--	--
Net income	\$2.32	\$4.29	\$3.91
Fully diluted			
Income before cumulative effect of accounting changes	\$3.23	\$4.13	\$3.74
Cumulative effect of accounting changes	(.94)	--	--
Net income	\$2.29	\$4.13	\$3.74
DIVIDENDS PAID PER COMMON SHARE	\$1.97	\$1.805	\$1.5925

See Notes to Consolidated Financial Statements.

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED BALANCE SHEET

AMERICAN BRANDS, INC. AND SUBSIDIARIES

December 31 (In millions, except per share amounts)	1993 -----	1992 -----
<S>	<C>	<C>
ASSETS		
CONSUMER PRODUCTS AND CORPORATE		
Current assets		
Cash and cash equivalents	\$ 62.5	\$ 54.8
Accounts receivable, net	1,241.6	1,255.3
Inventories	2,043.2	1,810.2
Other current assets	385.8	332.8

TOTAL CONSUMER PRODUCTS AND CORPORATE CURRENT ASSETS	3,733.1	3,453.1

Property, plant and equipment, net	1,472.1	1,406.4
Intangibles resulting from business acquisitions, net	3,637.9	3,104.0
Other assets	379.4	631.1

TOTAL CONSUMER PRODUCTS AND CORPORATE ASSETS	9,222.5	8,594.6

LIFE INSURANCE		
Investments	5,808.8	5,321.2
Cash and cash equivalents	79.1	85.4
Accrued investment income	101.1	98.9
Deferred policy acquisition costs	470.5	437.9
Present value of future profits, net	170.0	175.6
Intangibles resulting from business acquisitions, net	83.2	86.5
Other assets	403.8	119.6

TOTAL LIFE INSURANCE ASSETS	7,116.5	6,325.1

TOTAL ASSETS	\$16,339.0	\$14,919.7
=====		

See Notes to Consolidated Financial Statements.

</TABLE>

<TABLE> <CAPTION>		1993	1992
December 31		-----	-----
<S>		<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CONSUMER PRODUCTS AND CORPORATE			
Current liabilities			
Notes payable to banks	\$	298.9	\$ 247.1
Commercial paper		711.3	433.4
Accounts payable		454.1	339.6
Accrued excise and other taxes		726.3	884.0
Accrued expenses and other liabilities		794.4	740.4
Current portion of long-term debt		172.7	144.2
TOTAL CONSUMER PRODUCTS AND CORPORATE CURRENT LIABILITIES		3,157.7	2,788.7

Long-term debt		2,492.4	2,406.8
Deferred income taxes		124.7	195.2
Postretirement and other liabilities		520.3	176.5
TOTAL CONSUMER PRODUCTS AND CORPORATE LIABILITIES		6,295.1	5,567.2

LIFE INSURANCE			
Policy reserves and claims		2,553.4	2,401.2
Investment-type contract deposits		2,732.3	2,265.9
Other policyholders' funds		238.1	217.1
Other liabilities		248.7	166.7
TOTAL LIFE INSURANCE LIABILITIES		5,772.5	5,050.9

CONVERTIBLE PREFERRED STOCK-REDEEMABLE AT COMPANY'S OPTION			
\$2.67 Convertible Preferred stock, without par value, stated value \$30.50 per share		17.1	19.1

COMMON STOCKHOLDERS' EQUITY			
Common stock, par value \$3.125 per share, 229.6 shares issued		717.4	717.4
Paid-in capital		173.3	177.9
Unrealized appreciation on investments		5.3	10.5
Foreign currency adjustments		(317.4)	(260.9)
Retained earnings		4,393.4	4,322.7
Treasury stock, at cost		(717.7)	(685.1)
TOTAL COMMON STOCKHOLDERS' EQUITY		4,254.3	4,282.5

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$16,339.0	\$14,919.7
=====			

</TABLE>

<TABLE> <CAPTION>		CONSOLIDATED STATEMENT OF CASH FLOWS		
		AMERICAN BRANDS, INC. AND SUBSIDIARIES		
		1993	1992	1991
For years ended December 31 (In millions)		-----	-----	-----
<S>		<C>	<C>	<C>

OPERATING ACTIVITIES			
Net income	\$ 469.8	\$ 883.8	\$ 806.1
Depreciation and amortization	308.9	304.1	281.2
Changes in accounting principles	198.4	--	--
Gain on dispositions and investments, net	(120.9)	(43.2)	(27.1)
Decrease (increase) in accounts receivable	40.1	(64.6)	(20.6)
(Increase) decrease in inventories	(147.9)	150.6	(114.8)
Decrease (increase) in other assets	15.1	(56.9)	(40.8)
(Decrease) increase in accrued excise and other taxes	(179.7)	(344.9)	195.0
Increase in accounts payable, accrued expenses and other liabilities	192.5	33.9	47.3
Increase (decrease) in deferred income taxes	4.8	(5.3)	(71.6)
Increase in deferred policy acquisition costs	(32.6)	(29.3)	(21.7)
Increase in insurance policy and investment-type contract related liabilities	295.2	329.0	259.2
Other operating activities, net	(76.1)	(80.2)	10.6

NET CASH PROVIDED FROM OPERATING ACTIVITIES	967.6	1,077.0	1,302.8

INVESTING ACTIVITIES			
Additions to property, plant and equipment	(249.9)	(288.5)	(233.9)
Proceeds from the disposition of property, plant and equipment	19.3	18.9	32.7
Proceeds from the disposition of operations, net of cash and income taxes	9.6	13.7	--
Acquisitions, net of cash acquired	(456.7)	--	(632.6)
Purchases of investments	(2,079.7)	(1,576.8)	(890.2)
Proceeds from the maturity, call and sale of investments	1,708.2	1,142.7	472.8
Other investing activities, net	4.9	(3.5)	--

NET CASH USED BY INVESTING ACTIVITIES	(1,044.3)	(693.5)	(1,251.2)

FINANCING ACTIVITIES			
Deposits on annuity and other financial products	386.0	427.3	363.2
Withdrawals of annuity and other financial products	(268.5)	(227.4)	(200.3)
Increase (decrease) in short-term debt	296.9	399.8	(431.7)
Issuance of long-term debt	511.2	357.7	1,173.8
Repayment of long-term debt	(387.3)	(689.1)	(561.3)
Dividends to stockholders	(399.1)	(377.8)	(337.6)
Cash purchases of Common stock for treasury	(57.9)	(100.4)	(106.7)
Redemption and purchases of \$2.75 Preferred stock	--	(134.4)	(1.8)
Other financing activities, net	(4.8)	11.2	3.3

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	76.5	(333.1)	(99.1)

Effect of foreign exchange rate changes on cash	1.6	(38.7)	22.0

NET INCREASE (DECREASE) IN TOTAL CASH AND CASH EQUIVALENTS	\$ 1.4	\$ 11.7	\$ (25.5)
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Total cash and cash equivalents at beginning of year	\$140.2	\$128.5	\$154.0
Total cash and cash equivalents at end of year	\$141.6	\$140.2	\$128.5
=====			
Cash paid during the year for			
Interest, net of capitalized amount	\$245.1	\$265.5	\$239.8
Income taxes	\$464.4	\$502.4	\$493.8
=====			

See Notes to Consolidated Financial Statements.

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY

AMERICAN BRANDS, INC. AND SUBSIDIARIES

(In millions)	Common stock -----	Paid-in capital -----	Unrealized appreciation (depreciation) on investments -----	Foreign currency adjustments -----	Retained earnings -----	Treasury stock, at cost -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1991	\$717.4	\$137.7	\$ (15.4)	\$ 40.7	\$3,348.2	\$ (626.6)
Net income	--	--	--	--	806.1	--
Cash dividends	--	--	--	--	(337.6)	--
Translation adjustments	--	--	--	(21.7)	--	--
Net unrealized appreciation	--	--	42.8	--	--	--
Purchases	--	--	--	--	--	(110.3)
Conversion of securities and delivery of stock plan shares	--	44.6	--	--	--	137.4

Balance at December 31, 1991	717.4	182.3	27.4	19.0	3,816.7	(599.5)
Net income	--	--	--	--	883.8	--
Cash dividends	--	--	--	--	(377.8)	--
Translation adjustments	--	--	--	(279.9)	--	--
Net unrealized depreciation	--	--	(16.9)	--	--	--
Purchases	--	--	--	--	--	(122.5)
Conversion of securities and delivery of stock plan shares	--	(0.2)	--	--	--	36.9
Redemption of \$2.75 Preferred stock	--	(4.2)	--	--	--	--

Balance at December 31, 1992	717.4	177.9	10.5	(260.9)	4,322.7	(685.1)
Net income	--	--	--	--	469.8	--
Cash dividends	--	--	--	--	(399.1)	--
Translation adjustments	--	--	--	(56.5)	--	--
Net unrealized depreciation	--	--	(5.2)	--	--	--
Purchases	--	--	--	--	--	(40.3)
Conversion of securities and delivery of stock plan shares	--	(4.6)	--	--	--	7.7

BALANCE AT DECEMBER 31, 1993	\$717.4	\$173.3	\$ 5.3	\$ (317.4)	\$4,393.4	\$ (717.7)

See Notes to Consolidated Financial Statements.

</TABLE>

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. Balance sheet accounts are segregated into two categories. Consumer products and corporate accounts are classified as current or noncurrent, whereas the life insurance accounts are unclassified, in accordance with industry practice. Fiscal year ends of certain subsidiaries of Gallaher Limited and ACCO World Corporation are November 30 to facilitate year-end closing.

Certain 1992 balance sheet amounts have been reclassified to conform to the 1993 presentation.

Accounting Changes

On January 1, 1993, the Company adopted FAS Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and FAS Statement No. 112, "Employers' Accounting for Postemployment Benefits." See Other Retiree Benefits and Postemployment Benefits notes on pages 41 and 42, respectively. On December 31, 1993, the Company adopted FAS Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." See "Investments" on page 29. The initial effects of adopting these statements were recorded as cumulative changes in accounting principles as follows:

(In millions, except per share amounts)	FAS Statements No.			Total
	106	112	115	
Pretax charge (credit)	\$310.0	\$15.0	\$(4.1)	\$320.9
Income taxes	119.0	5.0	(1.5)	122.5
Net loss (income)	\$191.0	\$10.0	\$(2.6)	\$198.4
Earnings per Common share	\$.94	\$.05	\$(.01)	\$.98

Cash and Cash Equivalents

Highly liquid investments with an original maturity of three months or less are included in cash and cash equivalents. The carrying amount approximates fair value.

Inventories

Inventories are priced at the lower of cost (principally average and first-in, first-out and minor amounts at last-in, first-out) or market. In accordance with generally recognized trade practice, the leaf tobacco and bulk whiskey inventories are classified as current assets, although part of such inventories, due to the duration of aging processes, ordinarily will not be sold within one year.

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Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided, principally on a straight-line basis, over the estimated useful lives of the assets. Profits or losses resulting from dispositions are included in income. Betterments and renewals which improve and extend the life of an asset are capitalized; maintenance and repair costs are expensed.

Intangibles Resulting from Business Acquisitions

Intangibles resulting from business acquisitions, comprising cost in excess of net assets of businesses acquired, and brands and trademarks, are being amortized on a straight-line basis over 40 years, except for intangibles acquired prior to 1971, which are not being amortized because they are considered to have a continuing value over an indefinite period. Amortization amounted to \$95.7 million, \$84.9 million and \$75.9 million in 1993, 1992 and 1991, respectively. The cumulative amortization amounted to \$476.1 million and \$380.8 million at December 31, 1993 and 1992, respectively.

Valuation of Investments

At December 31, 1993, held-to-maturity securities, which are fixed maturity securities that Franklin has the ability and intent to hold until maturity, are carried at amortized cost. Trading securities, principally equity securities that Franklin purchased with the intent of selling in the near term, are carried at fair value with unrealized gains and losses included in income. Available-for-sale securities, representing fixed maturity securities not elsewhere classified, are carried at fair value with unrealized gains and losses included directly in Common stockholders'

equity, net of applicable deferred federal income taxes.

Prior to December 31, 1993, all fixed maturity securities were valued at amortized cost. Unrealized appreciation and depreciation on marketable equity securities (including Invergordon through November 1993) were included directly in Common stockholders' equity, net of applicable deferred federal income taxes.

Investment income is recognized as revenue when earned. Realized gains and losses on disposals of investments are determined on a specific identification basis and are included in income.

Recognition of Premium Revenue and Policy Benefits

For traditional life and annuity products, premiums are recognized as revenue when received. Policy reserves have been established in a manner which allocates policy benefits and expenses on a basis consistent with the recognition of the related premiums and generally results in the recognition of profits over the premium-paying period of the policies. For investment-type contracts, principally deferred annuity contracts, premiums are treated as policyholder deposits and are recorded as liabilities. Benefits paid reduce the policyholder liability.

Deferred Policy Acquisition Costs

Costs directly associated with acquiring new business, principally commissions, along with home office expenses relating to underwriting and policy issue and certain agency expenses, all of which vary with and are primarily related to the production of new business, have been deferred to the extent recoverable. Deferred costs for traditional products are being amortized over the anticipated premium-paying period of the related policies, using the same assumptions that are applied in calculating policy

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reserves. For investment-type contracts, deferred costs are amortized at a constant rate in proportion to the anticipated profits.

Present Value of Future Profits

The present value of profits to be realized from future premiums, relating to insurance in force at the date of acquisition of Franklin and additions related to assumption reinsurance agreements, is being amortized over the years that such profits are anticipated to be earned. These future profits have been discounted to provide an appropriate rate of return using assumptions applied in calculating policy reserves and deferred policy acquisition costs. Amortization, included in amortization of intangibles, amounted to \$7.9 million in 1993 and \$7.5 million in each of 1992 and 1991, net of imputed interest of \$25.5 million, \$26.3 million and \$27.3 million in 1993, 1992 and 1991, respectively. As a result of assumption reinsurance agreements acquired, \$2.2 million and \$4.3 million was added to the present value of future profits in 1993 and 1992, respectively. Approximately \$8 million will be amortized in each of the next five years. The cumulative amortization amounted to \$131.1 million, \$123.2 million and \$115.7 million at December 31, 1993, 1992 and 1991, respectively.

Policy Reserves and Investment-Type Contract Deposits

Policy reserves provide amounts adequate to discharge estimated future obligations on policies in force. Policy reserves for traditional insurance contracts are computed by the net level premium valuation method. Life and annuity reserves have been computed based upon future investment needs, mortality, withdrawals and current dividend scale assumptions applicable to these coverages, including provision for reasonable adverse deviations. Interest rates range from 2% to 11.5%, and mortality and withdrawal assumptions reflect company experience and industry standards. The assumptions vary by plan, age at issue, year of issue and duration.

For investment-type contracts, the liability for future policyholder benefits and the policyholder account balance are equal. The policyholder account balance includes premium deposits and interest credits less mortality and expense charges.

Participating Policyholders' Interest

Income before taxes for participating policies is determined annually. From this amount, a portion is allocated to participating policies for dividends and to satisfy regulatory requirements. These amounts, net of applicable income taxes, are included in other policyholders' funds.

Participating insurance accounted for 51%, 51% and 50% during 1993, 1992 and 1991, respectively, of the total ordinary insurance in force and premium income from ordinary life participating policies amounted to 65%, 69% and 68% of total premiums during 1993, 1992 and 1991, respectively.

Income Taxes

Deferred tax liabilities or assets are established for temporary differences between financial and tax reporting bases and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely.

Deferred income taxes are not provided on undistributed earnings of foreign subsidiaries, aggregating approximately \$1.2 billion at December 31, 1993, as such earnings are expected to be permanently reinvested in

Under insurance tax laws in effect for years prior to 1984, a portion of Franklin's accumulated statutory income has not been subject to tax. Should the aggregated untaxed income exceed certain prescribed maximums or cash dividends to the Company exceed the accumulated taxed portion, the excess would be subject to federal income tax. Taxes of \$70 million calculated using the current federal statutory income tax rate have not been provided on the untaxed income, which aggregated \$201 million at December 31, 1993, since Franklin does not contemplate distributing such income in the foreseeable future.

Earnings Per Share

Earnings per Common share are based on the weighted average number of Common shares outstanding in each year and after preferred stock dividend requirements.

Fully diluted earnings per Common share assume that any convertible debentures and convertible preferred shares outstanding at the beginning of each year or at their date of issuance, if later, were converted at those dates, with related interest, preferred stock dividend requirements and outstanding Common shares adjusted accordingly. It also assumes that outstanding Common shares were increased by shares issuable upon exercise of those stock options for which market price exceeds exercise price, less shares which could have been purchased by the Company with related proceeds.

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ACQUISITIONS

During the fourth quarter of 1993, Whyte & Mackay completed its acquisition of Invergordon Distillers Group PLC ("Invergordon") by purchasing the remaining 58.7% of the outstanding shares of Invergordon for a cost, including fees and expenses, of \$343.6 million. In 1991, Whyte & Mackay acquired 41.3% of the outstanding shares of Invergordon for a cost, including fees and expenses, of \$255.5 million. Due to absence of control, this was recorded in "Other assets" as an investment in marketable equity securities at a carrying value of \$222.2 million at December 31, 1992. The aggregate cost of Invergordon of \$599.1 million, exceeded the fair value of net assets acquired by \$492.9 million. The financial statements for prior periods were not restated because the effect was not material. Operations, including the effect of the application of the equity method to prior periods, were consolidated from December 1, 1993. Had operations been consolidated from January 1, 1992, they would not have materially affected the periods being reported. In connection with the acquisition of Invergordon, liabilities amounting to \$108.4 million were recorded at date of acquisition.

On June 30, 1993, The American Tobacco Company acquired from B.A.T Industries, PLC the Benson and Hedges cigarette trademark in Europe in exchange for assignment of its Lucky Strike and Pall Mall overseas cigarette trademarks, and \$107.2 million in cash, including expenses, and contingent future payments based on volumes. Results from the Benson and Hedges trademark are included in international tobacco from the date of acquisition. A pretax gain of \$25.5 million was recognized in domestic tobacco as a result of the assignment of the Lucky Strike and Pall Mall trademarks. Certain of the contingent payments are guaranteed and, accordingly, their present value is included in the initial \$183 million of intangibles that have been recorded. Any payments in excess of the guarantees will also be amortized over periods not to exceed 40 years.

On December 13, 1991, Jim Beam Brands Co. acquired certain distilled spirits trademarks for an aggregate cost, including fees and expenses, of \$376.2 million. Results from these trademarks were included in operations from January 1, 1992.

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ACCOUNTS RECEIVABLE, NET

The components of accounts receivable, net are as follows:

(In millions)	1993 -----	1992 -----
Accounts receivable	\$1,304.1	\$1,315.3
Less allowances for discounts, doubtful accounts and returns	62.5	60.0
	-----	-----
	\$1,241.6	\$1,255.3

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The Company's accounts receivable comprises amounts due from customers, principally in the tobacco products segment. At December 31, 1993 and 1992, approximately 45% and 42% of accounts receivable were related to U.K. operations, and 6% and 5% were due from a U.K. tobacco distributor, respectively.

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INVENTORIES

The components of inventories are as follows:

(In millions)	1993 -----	1992 -----
Leaf tobacco	\$ 477.7	\$ 522.1
Bulk whiskey	359.3	272.6
Other raw materials, supplies and work in process	306.9	324.7
Finished products	899.3	690.8
	-----	-----
	\$2,043.2	\$1,810.2

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PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net are as follows:

1993 -----			
(In millions)	Consumer products and corporate	Life insurance (a)	Total
Land and improvements	\$ 92.3	\$ 3.7	\$ 96.0
Buildings and improvements to leaseholds	636.9	14.4	651.3
Machinery and equipment	1,847.2	33.7	1,880.9
Construction in progress	114.3	--	114.3
	-----	-----	-----
	2,690.7	51.8	2,742.5
Less accumulated depreciation	1,218.6	32.5	1,251.1
	-----	-----	-----
	\$1,472.1	\$19.3	\$1,491.4

=====

1992 -----			
(In millions)	Consumer products and corporate	Life insurance (a)	Total
Land and improvements	\$ 88.9	\$ 3.7	\$ 92.6
Buildings and improvements to leaseholds	593.2	11.7	604.9
Machinery and equipment	1,729.2	30.0	1,759.2
Construction in progress	102.9	--	102.9
	-----	-----	-----
	2,514.2	45.4	2,559.6
Less accumulated depreciation	1,107.8	29.2	1,137.0
	-----	-----	-----
	\$1,406.4	\$16.2	\$1,422.6

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(a) Included in Life insurance-Other assets

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THE FRANKLIN LIFE INSURANCE COMPANY

INCOME AND CASH FLOW STATEMENTS

Summarized income statement data for The Franklin Life Insurance Company and its subsidiaries are as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
=====			
Revenues			
Premiums	\$ 462.2	\$459.8	\$417.7
Net investment income	558.0	484.1	436.3
Other income	50.7	21.6	16.4
	-----	-----	-----
	1,070.9	965.5	870.4
	-----	-----	-----
Insurance benefits			
Benefits paid or provided and change in policy reserves	561.9	551.9	477.7
Dividends to policyholders	92.3	94.4	93.3
Advertising, selling and administrative expenses			
Amortization of deferred policy acquisition costs	68.0	58.3	58.6
Amortization of intangibles and present value of future profits	11.2	10.8	10.8
Other	120.2	84.8	78.2
	-----	-----	-----
	853.6	800.2	718.6
	-----	-----	-----
Operating income	217.3	165.3	151.8
Income taxes	79.5	56.2	50.4
	-----	-----	-----
Income before cumulative effect of accounting changes	137.8	109.1	101.4
Cumulative effect of accounting changes (net of income taxes of \$12.4)	(18.0)	--	--
	-----	-----	-----
Net income	\$ 119.8	\$109.1	\$101.4
	=====	=====	=====

Generally, Franklin is restricted by the insurance laws of its domiciliary state as to amounts that can be transferred to the Company in the form of dividends, loans or advances without the approval of the Director of Insurance. Under these restrictions, loans or advances in excess of \$144 million and dividends in any twelve-month period aggregating in excess of \$72 million will require the approval of the Director.

Summarized cash flow data is as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
=====			
Operating activities			
Net income	\$ 119.8	\$ 109.1	\$ 101.4
Depreciation and amortization	15.0	15.1	15.0
Changes in accounting principles	18.0	--	--
Gain on dispositions and investments, net	(92.6)	(40.8)	(20.6)
Increase in deferred policy			

acquisition costs	(32.6)	(29.3)	(21.7)
Change in policy reserves and claims and other policyholders' funds	140.1	185.9	136.1
Interest, net of charges on investment-type contract deposits	155.1	143.1	123.1
Other, net	(23.5)	(51.8)	(44.7)

Net cash provided from operating activities	299.3	331.3	288.6

Investment activities			
Additions to property and equipment	(6.5)	(2.8)	(1.9)
Purchases of investments	(2,079.7)	(1,576.8)	(890.2)
Proceeds from the sale of investments:			
Fixed maturities	34.1	68.1	38.8
Other	256.5	220.5	118.6
Proceeds from maturity and call of investments	1,417.6	854.1	315.4

Net cash used by investing activities	(378.0)	(436.9)	(419.3)

Financing activities			
Dividends to parent	(45.1)	(55.1)	(50.5)
Deposits on annuity and other financial products	386.0	427.3	363.2
Withdrawals of annuity and other financial products	(268.5)	(227.4)	(200.3)

Net cash provided by financing activities	72.4	144.8	112.4

Net (decrease) increase in cash and cash equivalents	\$ (6.3)	\$ 39.2	\$ (18.3)
=====			

INVESTMENTS

On December 31, 1993, the Company adopted FAS Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The effect of adoption of this statement, recorded as a cumulative change in accounting principle, representing the unrealized gain on the trading portfolio, was a benefit of \$2.6 million, net of \$1.5 million of income taxes, or one cent per Common share. The net unrealized gain on the available-for-sale portfolio, which amounted to \$5.3 million, net of \$2.9 million of income taxes, is included in unrealized appreciation on investments in Common stockholders' equity at December 31, 1993.

The components of investments are as follows:

(In millions)	1993	1992
	-----	-----
Held-to-maturity, fixed maturities at amortized cost	\$4,525.5	\$ --
Trading securities:		
Equity securities, at fair value, cost - \$257.7	261.5	--
Other securities, at fair value, cost - \$9.9	10.2	--
Available-for-sale securities, at fair value, cost - \$129.8	138.0	--
Fixed maturities, at amortized cost	--	4,286.9
Equity securities, at fair value, cost - \$236.4	--	252.5
Mortgage loans on real estate, at unpaid principal balance	537.2	436.0
Policy loans, at unpaid principal balance	311.2	310.3
Other investments	25.2	35.5

	\$5,808.8	\$5,321.2
=====		

The amortized cost and estimated fair value of investments in fixed maturities are as follows:

1993				
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Held-to-maturity:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 47.2	\$ 7.2	\$ --	\$ 54.4
Obligations of states and political subdivisions	25.9	2.3	(0.2)	28.0
Fixed maturity securities issued by foreign governments	97.1	11.2	(0.4)	107.9
Corporate securities				
Public utilities	1,479.6	137.9	(6.1)	1,611.4
All other	2,407.5	273.6	(7.1)	2,674.0
Mortgage-backed securities	465.4	48.6	(0.4)	513.6
Redeemable preferred stocks	2.8	0.5	--	3.3
	4,525.5	481.3	(14.2)	4,992.6
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	125.9	7.2	(0.2)	132.9
Fixed maturity securities issued by foreign governments	3.1	1.1	--	4.2
Redeemable preferred stocks	0.8	0.1	--	0.9
	129.8	8.4	(0.2)	138.0
	\$4,655.3	\$489.7	\$ (14.4)	\$5,130.6

1992

Gross Gross

(In millions)	Amortized cost	unrealized gains	unrealized losses	Fair value
Bonds				
Federal, state and local	\$ 130.8	\$ 9.4	\$ (3.9)	\$ 136.3
Foreign governments	94.1	10.3	--	104.4
Corporate securities				
Public utilities	1,426.8	122.6	(6.3)	1,543.1
All other	2,161.4	162.9	(12.2)	2,312.1
Mortgage-backed securities				
	468.4	35.9	(6.0)	498.3
Redeemable preferred stocks	5.4	--	(0.6)	4.8
	\$4,286.9	\$341.1	\$ (29.0)	\$4,599.0

Franklin is restricted by the insurance laws of its domiciliary state as to the amount which it can invest in any entity. At December 31, 1993 and 1992, Franklin's largest investment in any one entity was \$39.3 million and \$24.9 million, respectively. Exclusive of the concentration noted above, the fixed maturity investments in all other corporate securities did not contain any significant geographic or industry concentrations of credit risk.

The amortized cost and estimated fair value of investments in fixed maturities at December 31, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

		1993	
(In millions)		Amortized amount	Fair value
Held-to-maturity:			
Due in one year or less		\$ 38.4	\$ 38.6
Due after one year through five years		501.2	556.2
Due after five years through ten years		1,479.9	1,625.4
Due after ten years		2,040.6	2,258.8
Mortgage-backed securities		465.4	513.6
		4,525.5	4,992.6
Available-for-sale:			
Due in one year or less		15.1	15.1
Due after one year through five years		4.7	5.2
Due after five years through ten years		44.5	46.6
Due after ten years		65.5	71.1
		129.8	138.0
		\$4,655.3	\$5,130.6

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During 1993, 1992 and 1991, proceeds from sales of investments in fixed maturities were \$34.1 million, \$68.1 million and \$38.8 million, respectively. During 1993, 1992 and 1991, gross gains of \$1 million, \$1.4 million and \$1.7 million, respectively, and during 1993 and 1992, gross losses of \$0.2 million and \$0.5 million, respectively, were realized on those sales.

Summary of net investment income is as follows:

(In millions)	1993	1992	1991
Fixed maturities	\$394.2	\$383.5	\$359.3
Equity securities	8.3	5.9	5.5
Mortgage loans	47.7	38.3	30.1
Net realized gains on investments	92.6	40.8	20.6
Policy loans	17.8	17.7	17.6
Other investments	3.8	3.7	9.4
	564.4	489.9	442.5
Less investment expenses	6.4	5.8	6.2
	\$558.0	\$484.1	\$436.3

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Information is provided about management's best estimates of the fair value of certain financial instruments for which it is practicable to estimate that value. This disclosure excludes certain insurance policy-related financial instruments and all nonfinancial instruments. The aggregate fair value amounts presented are not intended to represent the

underlying aggregate fair value of Franklin.

The methods and assumptions used to estimate fair value are as follows:

Fair values for held-to-maturity and available-for-sale (fixed maturity) securities are determined from quoted market prices, where available. For securities not actively traded, fair value is estimated by discounting cash flows and using current interest rates considering credit ratings and the remaining terms to maturity.

Fair value for trading (equity) securities is based on quoted market prices.

Fair value for mortgage loans is estimated by discounting cash flows and using current interest rates on similar real estate loans considering credit ratings and the remaining terms to maturity.

Fair value for investment-type insurance contracts is estimated by reducing the policyholder liability for applicable surrender or mortality charges, if any.

Fair value for commitments to extend credit, principally mortgage loans, is calculated using current interest rates that approximate the amount a willing buyer would pay to acquire a similar instrument. The amount of commitments to extend credit at December 31, 1993 and 1992 was \$176 million and \$90 million, respectively, which approximates fair value.

Fair value for accrued investment income approximates the carrying amount.

Policy loans have no stated maturity dates and are an integral part of the related insurance contract. Accordingly, it is not practicable to estimate a fair value.

The estimated fair value of Franklin's financial instruments, for which it is practicable to estimate that value, are as follows:

1993		
(In millions)	Carrying amount	Fair value
Held-to-maturity securities	\$4,525.5	\$4,992.6
Trading securities	271.7	271.7
Available-for-sale securities	138.0	138.0
Mortgage loans	537.2	559.4
Liabilities for investment-type contracts, principally individual and group annuities	(1,800.8)	(1,713.1)
1992		
(In millions)	Carrying amount	Fair value
Fixed maturities	\$4,286.9	\$4,599.0
Equity securities	252.5	252.5
Mortgage loans	436.0	449.6
Liabilities for investment-type contracts, principally individual and group annuities	(1,517.9)	(1,444.0)

SHORT-TERM BORROWINGS AND
CREDIT FACILITIES

The estimated fair value of the Company's \$298.9 million and \$247.1 million of notes payable to banks and \$711.3 million and \$433.4 million of commercial paper at December 31, 1993 and 1992, respectively, approximates the carrying amounts due principally to their short maturity.

At December 31, 1993, there was \$44 million outstanding under committed bank credit agreements which provide for unsecured borrowings of up to \$444 million for general corporate purposes, including acquisitions. Fees of 1/8% per annum are paid.

In addition, the Company had uncommitted bank lines of credit which provide for unsecured borrowings for working capital of up to \$824 million, of which \$253 million was outstanding at year end.

LONG-TERM DEBT

The components of long-term debt are as follows:

(In millions)	1993	1992
Notes payable(a)	\$ 300.0	\$ 200.0
Revolving credit notes(a)	211.2	237.8
Other notes(b)	356.5	376.5
5-3/4% Eurodollar Convertible Debentures, Due 2005(c)	200.0	200.0
7-5/8% Eurodollar Convertible Debentures, Due 2001(d)	150.0	150.0
Other Eurodollar Convertible Debentures(e)	41.0	43.4
8-1/2% Notes, Due 2003	200.0	200.0
5-1/4% Notes, Due 1995	200.0	200.0
8-5/8% Debentures, Due 2021	150.0	150.0
9-1/8% Debentures, Due 2016	150.0	150.0
7-7/8% Debentures, Due 2023	150.0	--
7-1/2% Notes, Due 1999	150.0	150.0
9-3/4% Eurosterling Notes, Due 1993	--	113.6
9% Notes, Due 1999(f)	100.0	100.0
9-1/2% Eurosterling Notes, Due 1994	74.0	75.7
9-1/4% Eurosterling Notes, Due 1998	74.0	75.7
12% Eurosterling Notes, Due 1995	59.2	60.6
12-1/2% Sterling Loan Stock, Due 2009	44.4	45.4
Miscellaneous	54.8	22.3
	2,665.1	2,551.0
Less current portion	172.7	144.2
	\$2,492.4	\$2,406.8

(a) The Company maintains revolving credit agreements expiring in 1995 with various banks which provide for unsecured borrowings of up to \$4 billion, including \$1 billion in various Eurocurrencies. The interest rate is set at the time of each borrowing, and a commitment fee of 1/4% per annum is paid. Borrowings under these agreements may be made for general corporate purposes, including acquisitions and support for the Company's short-term borrowings in the commercial paper market.

The Company, in the event that it becomes advisable, intends to exercise its rights under these agreements to refinance \$300 million of short-term notes payable; accordingly, short-term notes payable in this amount have been classified as long-term debt at December 31, 1993.

(b) The Other notes have maturity dates ranging from one to eight years, with a weighted average coupon of 8.4%.

(c) The 5-3/4% Eurodollar Convertible Debentures, Due 2005, are convertible into Common shares at a conversion price of \$39.50 per share. Each debenture holder will have a one-time put on April 11, 1995, at a price of 114.74%, plus accrued interest, and if there is a fundamental change in the Common stock prior to April 11, 1995, at a price of 105.75%, or thereafter prior to April 11, 2000 at par, plus accrued interest. The Company may redeem all or part of the debentures at its option any time after April 11, 1995 at par, plus accrued interest.

(d) The 7-5/8% Eurodollar Convertible Debentures, Due 2001, are convertible into Common shares at a conversion price of \$53.19 per share. If a fundamental change in the Common stock occurs, each debenture holder will have the right to repayment at a price of 106.1% declining to par at maturity, plus accrued interest. The Company may redeem all or part of the debentures at its option any time on or after March 5, 1994 at a price of 105.3375% declining to par at maturity, plus accrued interest.

(e) The Other Eurodollar Convertible Debentures include 7-3/4% Debentures, Due 2002, of \$39.9 million and \$40 million and 5-3/8% Debentures, Due 2003, of \$1.1 million and \$3.4 million, in 1993 and 1992, respectively. These 7-3/4% and 5-3/8% debentures are convertible into Common shares based on conversion prices of \$28.35 and \$29 per share, respectively. During 1992 and 1991, \$10.5 million and \$155.2 million of these debentures were converted and 0.4 million and 5.4 million treasury shares, respectively, were issued upon such conversions.

(f) The holders of the 9% Notes, Due 1999, have a one-time put on June 15, 1994 at par, plus accrued interest.

Estimated payments for maturing debt and sinking fund requirements, assuming one-time put options are not exercised, during the next five years are as follows: 1994, \$172.7 million; 1995, \$815.1 million; 1996, \$112.6 million; 1997, \$56.4 million; and 1998, \$169.4 million.

The estimated fair value of the Company's \$2,665.1 million and \$2,551 million total long-term debt (including current portion) at December 31, 1993 and 1992 approximated \$2,880 million and \$2,698 million, respectively. The fair value is determined from quoted market prices, where available, and from investment bankers using current interest rates considering credit ratings and the remaining terms to maturity.

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REDEEMABLE PREFERRED STOCK

On August 17, 1992, the Company redeemed its outstanding \$2.75 Preferred stock at a redemption price of \$31.46 per share, plus an amount representing accrued dividends of 52 cents per share. The aggregate redemption payment including accrued dividends was \$133.9 million.

A cash dividend of \$2.75 per share in the aggregate amount of \$8 million and \$11.8 million was paid in the years ended December 31, 1992 and 1991, respectively.

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CONVERTIBLE PREFERRED
STOCK-REDEEMABLE
AT COMPANY'S OPTION

Shares of the \$2.67 Convertible Preferred stock issued and outstanding at December 31, 1993, 1992 and 1991 were 561,286 shares, 624,933 shares and 742,382 shares, respectively. Reacquired, redeemed or converted authorized shares that are not outstanding are required to be retired or restored to the status of authorized but unissued shares of preferred stock without series designation. The holders of \$2.67 Convertible Preferred stock are entitled to cumulative dividends, to three-tenths of a vote per share (in certain events, to the exclusion of the Common shares), to preference in

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liquidation over holders of Common stock of \$30.50 per share plus accrued dividends and to convert each share of such stock into 4.08 shares of Common stock. Authorized but unissued Common shares are reserved for issuance upon such conversions, but treasury shares may be and are delivered. 63,647 shares, 117,634 shares and 78,859 shares were converted during 1993, 1992 and 1991, respectively. The Company may redeem such Preferred stock at a price of \$30.50 per share, plus accrued dividends.

A cash dividend of \$2.67 per share in the aggregate amounts of \$1.6 million, \$1.8 million and \$2.1 million was paid in each of the years ended December 31, 1993, 1992 and 1991, respectively.

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CAPITAL STOCK

The Company has 750 million authorized shares of Common stock and 60 million authorized shares of preferred stock.

There were 201,744,048 Common shares outstanding at December 31, 1993.

The cash dividends paid on the Common stock for the years ended December 31, 1993, 1992 and 1991 aggregated \$397.5 million, \$368 million and \$323.7 million, respectively.

Treasury shares purchased and received as consideration for stock options exercised amounted to 1,159,262 shares in 1993, 2,882,362 shares in 1992 and 2,794,910 shares in 1991. Treasury shares delivered in connection with exercise of stock options and grants of other stock awards and conversion of preferred stock and debentures amounted to 326,494 shares in 1993, 1,541,437 shares in 1992 and 6,355,610 shares in 1991. At December 31, 1993, there were 27,825,976 treasury shares.

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PREFERRED SHARE PURCHASE RIGHTS

Each outstanding share of Common stock also evidences one Preferred Share Purchase Right ("Right"). The Rights will generally become exercisable only in the event of an acquisition of or a tender offer for 10% or more of the Common stock. If exercisable, each Right is exercisable for 1/200th of a share of Series A Junior Participating Preferred Stock at an exercise price of \$52.50. Also, upon an acquisition of 10% or more of the Common stock, or upon an acquisition of the Company or the transfer of 50% or more of its assets or earning power, each Right (other than rights held by the 10% acquiror, if applicable), if exercisable, will generally be exercisable for common shares of the Company or the acquiring company, as the case may be, having a market value of twice the exercise price. In certain events, however, Rights may be exchanged by the Company for Common stock at a rate of one share per Right. The Rights may be redeemed at any time prior to an acquisition of 10% or more of the Common stock at a redemption price of \$.005 per Right. Until a Right is exercised, the

holder, as such, will have no voting, dividend or other rights as a stockholder of the Company. Unless either redeemed or exchanged, the Rights will expire on December 24, 1997.

All 1.4 million of the authorized Series A Preferred shares are reserved for issuance upon exercise of Rights, and at December 31, 1993, outstanding Rights were exercisable as described above in the aggregate for 1,008,720 of such shares.

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STOCK PLANS

The 1990 Long-Term Incentive Plan authorizes the granting to key employees of the Company and its subsidiaries of incentive and nonqualified stock options, stock appreciation rights, restricted stock, performance awards and other stock-based awards, any of which may be granted alone or in combination with other types of awards or dividend equivalents. Such grants may be made on or before December 31, 1995 for up to 6.4 million shares of the Common stock. The Company's Long-Term Incentive Plan for Key Employees of Subsidiaries also authorizes the granting to key employees of the Company's subsidiaries of similar types of awards other than stock options and stock appreciation rights, and one million shares have been reserved for issuance upon payment of any awards granted thereunder after December 31, 1990. Stock options and stock appreciation rights may no longer be granted under the Company's 1981 or 1986 Stock Option Plans, but outstanding awards may continue to be exercised until their expiration dates.

Stock options under the Plans have exercise prices of fair market values at dates of grant. Options generally may not be exercised prior to one year or more than ten years from the date of grant. Stock appreciation rights, which may be granted in conjunction with option grants, permit the optionees to receive shares of Common stock, cash or a combination of shares and cash measured by the difference between the option exercise price and the fair market value of the Common stock at the time of exercise of such right.

Changes during the three years ended December 31, 1993 in shares under option were as follows:

	Option Prices -----	Shares -----
=====		
Under option at		
January 1, 1991	\$ 9.70 to \$36.31	4,955,790
Options granted	40.19 to 46.63	1,977,200
Options exercised	9.70 to 34.59	(743,840)
Options lapsed	--	(59,200)

Under option at		
December 31, 1991	\$11.83 to \$46.63	6,129,950
Options granted	44.38 to 46.81	1,554,550
Options exercised	11.83 to 44.56	(1,034,090)
Options lapsed	--	(60,500)

Under option at		
December 31, 1992	\$14.44 to \$46.81	6,589,910
Options granted	33.75 TO 34.25	2,358,600
Options exercised	14.44 TO 33.91	(73,150)
Options lapsed	--	(96,300)

UNDER OPTION AT		
DECEMBER 31, 1993	\$15.03 TO \$46.81	8,779,060
=====		

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At December 31, 1993, options for 6,434,760 shares were exercisable.

Under the Long-Term Incentive Plans, awards of 93,000 restricted or deferred shares were granted during 1990 and 1991 subject to a restriction period of three years from date of grant. As of December 31, 1993, the restriction period had ended as to 48,900 shares. At December 31, 1993, performance awards were outstanding pursuant to which up to 54,246 shares, 145,390 shares and 112,855 shares may be issued in 1994, 1995 and 1996, respectively, depending on the extent to which certain specified performance objectives are met. 9,048 shares, 838 shares and 1,062 shares were issued pursuant to performance awards during 1993, 1992 and 1991, respectively. The costs of restricted and deferred shares and performance awards are expensed over the restriction or performance period.

Shares available in connection with future awards under the Company's stock plans at January 1 and December 31, 1993 were 3.6 million and 1.2

million, respectively. Authorized but unissued shares are reserved for issuance in connection with awards, but treasury shares may be and are delivered.

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PENSION AND OTHER RETIREE BENEFITS

The Company has a number of pension plans covering substantially all employees. The plans provide for payment of retirement benefits, mainly commencing between the ages of 60 and 65, and also for payment of certain disability and severance benefits. After meeting certain qualifications, an employee acquires a vested right to future benefits. The benefits payable under the plans are generally determined on the basis of an employee's length of service and earnings. Annual contributions to the plans are sufficient to satisfy legal funding requirements.

U.S. PENSION PLANS

The components of net pension costs are as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
Service cost	\$ 23.7	\$ 21.2	\$ 18.7
Interest cost	70.1	67.8	65.3
Actual return on plan assets	(92.3)	(55.5)	(118.9)
Net amortization and deferral	13.6	(22.1)	55.3
	-----	-----	-----
	\$ 15.1	\$ 11.4	\$ 20.4

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The funded status of the plans as of December 31 was as follows:

(In millions)	1993		1992	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Accumulated benefit obligation				
Vested	\$744.2	\$100.8	\$657.3	\$56.2
Nonvested	30.7	2.6	28.9	2.6
	-----	-----	-----	-----
	\$774.9	\$103.4	\$686.2	\$58.8
Projected benefit obligation	\$903.2	\$113.6	\$810.0	\$ 70.6
Fair value of plan assets, principally equity securities and corporate bonds	883.0	66.5	848.0	24.7
	-----	-----	-----	-----
(Deficiency) excess of assets over projected benefit obligation	(20.2)	(47.1)	38.0	(45.9)
Unrecognized net transition (gain) loss	(0.6)	2.0	(2.3)	4.2
Unrecognized net loss from experience differences	74.6	24.1	24.4	10.3
Unrecognized prior service cost	8.7	25.5	13.0	7.3
Adjustment needed to recognize minimum liability	--	(26.2)	--	(11.6)
	-----	-----	-----	-----
Prepaid pension cost (pension liability)	\$ 62.5	\$(21.7)	\$ 73.1	\$(35.7)

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Actuarial assumptions:				
Discount rate	7.25%	7.25%	8.25%	8.25%

Weighted average rate of compensation increase	4.9%	5.1%	6.1%	6.1%

Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%	9.5%
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NON-U.S. PENSION PLANS

The components of net pension costs are as follows:

(In millions)	1993	1992	1991
-----	-----	-----	-----
Service cost	\$ 27.1	\$ 29.1	\$ 20.2
Interest cost	62.3	66.5	57.5
Actual return on plan assets	(222.0)	(32.1)	(198.7)
Net amortization and deferral	144.4	(61.2)	125.5

	\$ 11.8	\$ 2.3	\$ 4.5
=====			

The funded status (assets exceed accumulated benefits) of the plans as of December 31 was as follows:

(In millions)	1993	1992
-----	-----	-----
Accumulated benefit obligation		
Vested	\$720.1	\$525.2
Nonvested	3.8	2.9

	\$723.9	\$528.1
=====		
Projected benefit obligation	\$ 857.8	\$633.1
Fair value of plan assets, principally equity securities and corporate bonds	1,021.8	815.6

Excess of assets over projected benefit obligation(a)	164.0	182.5
Unrecognized net transition gain	(35.1)	(40.7)
Unrecognized net loss (gain) from experience differences	3.3	(16.2)
Unrecognized prior service cost	49.9	52.3

Prepaid pension cost	\$ 182.1	\$177.9
=====		
Actuarial assumptions:		
Weighted average discount rate	8.0%	9.75%

Weighted average rate of compensation increase	7.0%	7.0%

Expected long-term rate of return on plan assets	9.5%	9.5%
=====		

(a) The excess of assets over the projected benefit obligation, calculated under the valuation method mandated by FAS Statement No. 87, "Employers' Accounting for Pensions," arises principally in the U.K. At December 31, under current U.K. legislation, no part of this excess could be repaid to the Company from the U.K. plans.

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DEFINED CONTRIBUTION PLANS

The Company sponsors a number of defined contribution plans. Contributions are determined under various formulas. Costs related to such plans amounted to \$24.4 million, \$30.3 million and \$25.4 million in 1993, 1992 and 1991, respectively.

OTHER RETIREE BENEFITS

The Company provides postretirement health care and life insurance benefits to certain employees and retirees in the United States and certain employee groups outside the United States. Most employees and retirees outside the United States are covered by government health care programs.

Effective January 1, 1993, the Company adopted FAS Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its retiree benefit plans. Under FAS No. 106, the Company is required to accrue the estimated cost of these benefits during employees' active service periods. The Company previously expensed the cost of these benefits as incurred.

The Company elected to recognize the one-time transition obligation charge resulting from this change in accounting on the immediate recognition basis. The transition obligation at January 1, 1993 was \$310 million, net of \$41.3 million of liabilities previously recorded. The cumulative change in accounting principle, net of \$119 million of deferred income taxes, was \$191 million, or 94 cents per Common share. The increase in ongoing pretax expense for these benefits for 1993 was \$19.6 million.

The components of the postretirement benefit costs for 1993 are \$7.5 million for service cost and \$28.9 million for interest cost, for a total of \$36.4 million.

The status of the plans was as follows:

(In millions)	DECEMBER 31, 1993	January 1, 1993
Accumulated benefit obligation		
Retirees	\$265.7	\$231.0
Fully eligible active plan participants	42.2	40.7
Other active plan participants	98.7	79.6
	406.6	351.3
Unrecognized net loss from experience differences	(34.9)	--
Accrued postretirement costs	\$371.7	\$351.3
Assumed weighted average discount rate	7.4%	8.5%

The assumed health care cost trend rate used in measuring the principal portion of the accumulated benefit obligation was 13.25% for 1993, gradually declining to 6% by the year 2007 and remaining at that level thereafter. A 1% increase in the assumed health care cost trend rate for each year would increase the accumulated benefit obligation as of December 31, 1993 and postretirement benefit costs for 1993 by approximately 9%.

Postretirement health and life insurance benefits prior to January 1, 1993 were expensed as incurred and amounted to \$14.3 million and \$11.2 million in 1992 and 1991, respectively.

POSTEMPLOYMENT BENEFITS

The Company provides certain postemployment benefits to former or inactive employees after employment but before retirement. Effective January 1, 1993, the Company adopted FAS Statement No. 112, "Employers' Accounting for Postemployment Benefits," which required a change from the cash basis to the accrual basis for these postemployment benefits. Accordingly, the cumulative effect of the accounting change as of January 1, 1993 of adopting FAS No. 112, net of \$5 million of income taxes, was a charge of \$10 million, or five cents per Common share.

INCOME TAXES

The components of income before income taxes are as follows:

(In millions)	1993	1992	1991
Domestic operations	\$ 495.8	\$ 793.2	\$ 657.2
Foreign operations	580.3	604.9	580.8

\$1,076.1 \$1,398.1 \$1,238.0

Income taxes are as follows:

(In millions)	1993	1992	1991
Currently payable			
Federal	\$209.1	\$277.1	\$252.1
Foreign	187.2	181.2	190.1
Other	4.1	50.2	45.0
Deferred			
Federal and other	20.6	0.3	(38.5)
Foreign	(13.1)	5.5	(16.8)
	\$407.9	\$514.3	\$431.9

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A reconciliation of income taxes at the 35% federal statutory income tax rate for 1993, and 34% for each of 1992 and 1991 to income taxes as reported is as follows:

(In millions)	1993	1992	1991
Income taxes computed at federal statutory income tax rate	\$376.6	\$475.4	\$420.9
Other income taxes, net of federal tax benefit	21.8	37.6	39.0
Realization of capital loss carryforwards	(0.9)	(20.8)	(28.4)
Goodwill not deductible for income tax purposes	29.5	28.9	25.8
Tax differential relating to foreign operations	11.0	(1.0)	(17.4)
Miscellaneous, including reversals of tax provisions no longer required	(30.1)	(5.8)	(8.0)
Income taxes as reported	\$407.9	\$514.3	\$431.9

The components of net deferred tax assets (liabilities) are as follows:

(In millions)	1993	1992
=====		
Consumer products and corporate		
Current assets		
Compensation and benefits	\$ 14.0	\$ 11.2
Other reserves	37.1	48.8
Product coupons	21.7	23.7
Capitalized interest-inventory	26.9	25.4
Restructuring	29.0	16.5
Interest	6.6	9.4
Accounts receivable	12.4	13.3
Miscellaneous	39.2	25.5
	-----	-----
	186.9	173.8
	-----	-----
Current liabilities		
Inventories	(27.9)	(22.4)
Miscellaneous	(18.0)	(16.1)
	-----	-----
	(45.9)	(38.5)
	-----	-----
Deferred income taxes included in Other current assets	141.0	135.3
	-----	-----
Noncurrent assets		
Compensation and benefits	22.8	15.6
Other retiree benefits	132.7	15.7
Other reserves	11.7	6.2
Foreign exchange	--	11.1
Miscellaneous	15.7	13.6
	-----	-----
	182.9	62.2
	-----	-----
Noncurrent liabilities		
Depreciation	(145.8)	(131.8)
Pensions	(96.7)	(90.6)
Trademark amortization	(30.8)	(14.8)
Miscellaneous	(34.3)	(20.2)
	-----	-----
	(307.6)	(257.4)
	-----	-----
Deferred income taxes	(124.7)	(195.2)
	-----	-----

Life insurance		
Policy reserves	115.2	103.5
Participating policyholders' interests	63.4	57.4
Other retiree benefits	11.3	--
Miscellaneous	13.2	9.6
	-----	-----
Assets	203.1	170.5
	-----	-----
Deferred policy acquisition costs	(141.5)	(133.5)
Present value of future profits	(59.7)	(59.9)
Miscellaneous	(20.5)	(26.5)
	-----	-----
Liabilities	(221.7)	(219.9)
	-----	-----
Deferred income taxes included in Other liabilities	(18.6)	(49.4)
	-----	-----
Net deferred tax liability	\$ (2.3)	\$ (109.3)
	=====	=====

=====

COMMITMENTS

Leases

Future minimum rental payments under noncancelable operating leases as of December 31, 1993 are as follows:

(In millions)

1994	\$ 83.1
1995	77.3
1996	73.5
1997	69.1
1998	65.1
Remainder	454.3

Total minimum rental payments	822.4
Less minimum rentals to be received under noncancelable subleases	17.5

	\$804.9
=====	

Total rental expense for all operating leases (reduced by minor amounts from subleases) amounted to \$89.7 million, \$97.3 million and \$91.6 million in 1993, 1992 and 1991, respectively.

Other

The Company enters into a variety of contracts and agreements in order to hedge known transactions, or achieve costs or obtain terms that might not otherwise be available. The counterparties are major financial institutions. Although the Company's theoretical risk is the replacement cost at the then estimated fair value of these transactions, management currently believes that the risk of incurring losses is remote and that such losses, if any, would be immaterial.

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At December 31, 1993 and 1992, outstanding swap agreements effectively converted \$342.4 million and \$269.8 million, respectively, of variable-interest-rate debt into fixed-rate debt. These agreements mature at various dates through 1999 and have resulted in weighted average fixed rates of 7.8% and 8.1% for 1993 and 1992, respectively.

The estimated fair value of these swap agreements, which represents the estimated payment that would be made by the Company to terminate these agreements, approximated \$29 million and \$19 million at December 31, 1993 and 1992, respectively. The fair value is based on dealer quotes, considering current interest rates.

The estimated fair value of foreign currency contracts represents the amount required to enter into like contracts with similar remaining maturities based on quoted market prices. At December 31, 1993 and 1992, the difference between the contract values and fair values was immaterial.

=====

SUPPLEMENTARY PROFIT AND LOSS
INFORMATION

Supplementary profit and loss information is as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
=====			
Federal and foreign excise taxes included in consumer products revenues			
International tobacco	\$4,548.0	\$4,894.1	\$4,884.9
Domestic tobacco	360.9	337.0	350.3
Distilled spirits	505.0	552.2	449.6

	\$5,413.9	\$5,783.3	\$5,684.8
=====			
Research and development expense	\$39.7	\$33.7	\$28.9
=====			

Corporate administrative expenses in 1993 included a \$5 million provision for staff reduction at the corporate headquarters and in 1991 included a substantial increase in nontobacco legal reserves.

=====

INFORMATION ON BUSINESS SEGMENTS

The Company's subsidiaries operate principally in the following business segments:

Tobacco products includes cigarettes manufactured by American Tobacco and cigarettes and other tobacco products manufactured by Gallaher.

Distilled spirits includes products produced or imported by Jim Beam and Whyte & Mackay.

Life insurance includes the operations of The Franklin group of companies.

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Hardware and home improvement products includes kitchen and bathroom faucets, plumbing supply and repair products manufactured, packaged or distributed by Moen, locks manufactured by Master Lock, tool storage products manufactured by Waterloo and kitchen cabinets and bathroom vanities manufactured by Aristokraft.

Office products includes office supplies, stationery and other office products manufactured by ACCO World subsidiaries.

Specialty businesses includes golf and leisure products and rubber products of Acushnet, and optical goods and services, retail distribution and housewares products of Gallaher subsidiaries.

The intersegment elimination primarily includes sales of international tobacco products to retail distribution.

The Company operates in the United States, Europe (principally the United Kingdom) and other areas (principally Canada and Australia).

Restructuring charges (credits), net by industry segments are as follows:

(In millions)	1993	1992
	-----	-----
Tobacco products		
International	\$ 29.8	\$ --
Domestic	18.5	--

Total Tobacco	48.3	--
Distilled spirits	(15.8)	--
Hardware and home improvement products	4.7	--
Office products	3.6	(8.5)

	\$ 40.8	\$ (8.5)
=====		

Revenues and operating income for the years 1993, 1992 and 1991, and identifiable assets for the related year ends by industry segments and by geographic areas, are shown on page 52.

Specialty businesses revenues are as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
Golf and leisure products	\$ 452.7	\$ 416.2	\$ 391.0
Optical goods and services	368.9	433.7	429.2
Retail distribution	1,283.9	1,524.8	1,546.9
Housewares	91.8	109.5	116.7
Rubber products	52.3	48.1	44.5
Other	7.0	51.5	68.5

	2,256.6	2,583.8	2,596.8
Less intersegment elimination	358.9	369.2	449.3

	\$1,897.7	\$2,214.6	\$2,147.5
=====			

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Reconciliation of identifiable assets to consolidated total assets is as follows:

(In millions)	1993	1992	1991
	-----	-----	-----
Identifiable assets	\$16,145.8	\$14,689.9	\$14,831.5
Corporate	193.2	229.8	230.1

	\$16,339.0	\$14,919.7	\$15,061.6
=====			

Depreciation by industry segments is as follows:

	1993	1992	1991
--	------	------	------

(In millions)	-----	-----	-----
Tobacco products			
International	\$ 29.2	\$ 29.8	\$ 28.8
Domestic	22.0	23.8	21.8

Total Tobacco	51.2	53.6	50.6
Distilled spirits	31.6	29.5	23.9
Life insurance	3.8	4.3	4.2
Hardware and home improvement products	30.7	29.3	27.1
Office products	35.4	37.6	36.8
Specialty businesses	52.6	57.4	55.2

	\$205.3	\$211.7	\$197.8

Amortization of intangibles by industry segments is as follows:

(In millions)	-----	-----	-----
International tobacco	\$ 2.3	\$ --	\$ --
Distilled spirits	32.2	23.0	13.5
Life insurance	11.2	10.8	10.8
Hardware and home improvement products	30.1	30.2	30.4
Office products	20.9	21.0	21.2
Specialty businesses	6.9	7.4	7.5

	\$103.6	\$92.4	\$83.4

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Capital expenditures by industry segments are as follows:

(In millions)	-----	-----	-----
Tobacco products			
International	\$ 43.1	\$ 42.9	\$ 29.5
Domestic	21.8	33.0	38.1

Total Tobacco	64.9	75.9	67.6
Distilled spirits	29.8	41.4	32.4
Life insurance	6.5	2.8	1.9
Hardware and home improvement products	62.7	53.9	33.8
Office products	26.0	24.2	28.2
Specialty businesses	60.0	90.3	70.0

	\$249.9	\$288.5	\$233.9

PENDING LITIGATION

The American Tobacco Company subsidiary and other tobacco manufacturers are defendants in various actions based upon allegations that human ailments have resulted from tobacco use. While it is not possible to predict the outcome of the pending litigation or the effect of such litigation on the results of operations for any period, management believes that there are meritorious defenses to the pending actions and that the pending actions will not have a material adverse effect upon the financial condition of the Company. Such actions are being vigorously defended.

ENVIRONMENTAL

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that the Company's subsidiaries may undertake in the future, in the opinion of management

compliance with the present environmental protection laws, before taking into account estimated recoveries from third parties, will not have a material adverse effect on the Company's financial condition or results of operations.

REPORT OF INDEPENDENT ACCOUNTANTS

=====

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF AMERICAN BRANDS, INC.:

We have audited the accompanying consolidated balance sheet of American Brands, Inc. and Subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, cash flows and Common stockholders' equity for the years ended December 31, 1993, 1992 and 1991. These financial statements are the responsibility of the management of American Brands, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Brands, Inc. and Subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for the years ended December 31, 1993, 1992 and 1991, in conformity with generally accepted accounting principles.

As discussed in Notes to Consolidated Financial Statements, in 1993 the Company changed its methods of accounting for postretirement benefits other than pensions, postemployment benefits and certain investments in debt and equity securities.

Coopers & Lybrand

1301 Avenue of the Americas
New York, New York
February 1, 1994

REPORT OF MANAGEMENT

=====

TO THE STOCKHOLDERS OF AMERICAN BRANDS, INC.:

We have prepared the consolidated balance sheet of American Brands, Inc. and Subsidiaries as of December 31, 1993 and 1992, and the related

consolidated statements of income, cash flows and Common stockholders' equity for the years ended December 31, 1993, 1992 and 1991. The financial statements have been prepared in accordance with generally accepted accounting principles. Financial information elsewhere in the Annual Report is consistent with that in the financial statements.

The system of internal controls of the Company and its subsidiaries is designed to provide reasonable assurances that the financial records are adequate and can be relied upon to provide information for the preparation of financial statements and that established policies and procedures are carefully followed.

Independent accountants are elected annually by the stockholders of the Company to audit the financial statements. Coopers & Lybrand, independent accountants, are currently engaged to perform such audit. Their audit is in accordance with generally accepted auditing standards and includes tests of transactions and selective tests of internal accounting controls.

The Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with the independent accountants, internal auditors and management to review accounting, auditing, and financial reporting matters. The auditors have direct access to the Audit Committee.

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<TABLE>
<CAPTION>

INFORMATION ON BUSINESS SEGMENTS(1)						
AMERICAN BRANDS, INC. AND SUBSIDIARIES						
(In millions)	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BUSINESS BY INDUSTRY SEGMENTS						
REVENUES						
Tobacco products						
International	\$ 5,940.0	\$ 6,376.6	\$ 6,373.7	\$ 6,394.8	\$ 5,402.8	\$ 5,453.5
Domestic	1,501.5	1,780.3	1,726.4	1,596.6	1,570.7	1,528.6
Total Tobacco	7,441.5	8,156.9	8,100.1	7,991.4	6,973.5	6,982.1
Distilled spirits	1,194.6	1,268.3	1,061.2	1,005.3	735.4	758.7
Life insurance	1,070.9	965.5	870.4	805.5	831.0	923.4
Hardware and home improvement products	1,119.5	1,014.8	902.3	632.6	503.7	437.2
Office products	977.2	1,003.5	982.3	1,024.6	968.3	883.2
Specialty businesses	1,897.7	2,214.6	2,147.5	2,321.5	1,909.5	1,995.4
	\$13,701.4	\$14,623.6	\$14,063.8	\$13,780.9	\$11,921.4	\$11,980.0
OPERATING INCOME						
Tobacco products						
International	\$ 486.5	\$ 554.4	\$ 528.4	\$ 580.6	\$ 418.2	\$ 362.0
Domestic	169.2	536.1	540.8	506.8	481.5	455.3
Total Tobacco	655.7	1,090.5	1,069.2	1,087.4	899.7	817.3
Distilled spirits	214.7	195.8	151.6	135.5	106.8	100.4
Life insurance	217.3	165.3	151.8	140.5	156.8	203.3

Hardware and home improvement products	155.5	159.0	141.5	78.1	69.7	63.8
Office products	63.2	58.1	37.7	87.2	96.5	26.0
Specialty businesses	91.5	86.3	79.0	73.9	70.2	113.1
	\$1,397.9	\$1,755.0	\$1,630.8	\$1,602.6	\$1,399.7	\$1,323.9
IDENTIFIABLE ASSETS						
Tobacco products						
International	\$ 1,540.2	\$ 1,251.0	\$ 1,690.2	\$ 1,733.6	\$ 1,426.1	\$ 1,606.4
Domestic	702.1	806.0	762.9	654.8	648.3	579.7
Total Tobacco	2,242.3	2,057.0	2,453.1	2,388.4	2,074.4	2,186.1
Distilled spirits	2,229.7	1,830.9	1,947.4	1,295.2	806.6	822.2
Life insurance	7,116.5	6,325.1	5,778.7	5,251.8	4,951.6	5,576.1
Hardware and home improvement products	1,809.0	1,786.4	1,734.6	1,720.4	633.1	639.6
Office products	1,465.7	1,510.5	1,588.4	1,692.9	1,542.8	1,553.7
Specialty businesses	1,282.6	1,180.0	1,329.3	1,349.5	1,107.7	1,116.3
	\$16,145.8	\$14,689.9	\$14,831.5	\$13,698.2	\$11,116.2	\$11,894.0

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BUSINESS BY GEOGRAPHIC AREAS

REVENUES						
United States	\$ 5,486.1	\$ 5,556.7	\$ 5,077.2	\$ 4,686.4	\$ 4,521.7	\$ 4,459.7
Europe	7,881.8	8,740.9	8,736.3	8,948.6	7,263.2	7,378.5
Other	333.5	326.0	250.3	145.9	136.5	141.8
	\$13,701.4	\$14,623.6	\$14,063.8	\$13,780.9	\$11,921.4	\$11,980.0
OPERATING INCOME						
United States	\$ 775.4	\$1,079.8	\$ 995.6	\$ 905.5	\$ 882.5	\$ 842.2
Europe	578.4	633.7	594.7	679.9	503.3	457.0
Other	44.1	41.5	40.5	17.2	13.9	24.7
	\$1,397.9	\$1,755.0	\$1,630.8	\$1,602.6	\$1,399.7	\$1,323.9
IDENTIFIABLE ASSETS						
United States	\$12,160.2	\$11,475.5	\$10,808.9	\$ 9,897.5	\$ 8,430.0	\$ 8,994.3
Europe	3,767.3	3,019.8	3,840.1	3,648.9	2,545.1	2,741.6
Other	218.3	194.6	182.5	151.8	141.1	158.1
	\$16,145.8	\$14,689.9	\$14,831.5	\$13,698.2	\$11,116.2	\$11,894.0

<FN>

(1) See page 46, Notes to Consolidated Financial Statements, for further information on business segments.

</TABLE>

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ELEVEN-YEAR CONSOLIDATED SELECTED FINANCIAL DATA (1)

AMERICAN BRANDS, INC. AND SUBSIDIARIES

(In millions, except per share amounts and number of Common stockholders)	1993(2)	1992	1991(2)	1990(2)	1989(2)	1988(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA						
Revenues	\$13,701.4	\$14,623.6	\$14,063.8	\$13,780.9	\$11,921.4	\$11,980.0
Depreciation and amortization	308.9	304.1	281.2	259.2	218.1	227.7
Operating income	1,397.9	1,755.0	1,630.8	1,602.6	1,399.7	1,323.9
Interest and related charges	244.2	270.1	264.0	278.7	281.1	266.6
Income taxes	407.9	514.3	431.9	454.3	431.0	449.7
Income from continuing operations	668.2	883.8	806.1	588.6	633.3	544.5
Income from discontinued operations	--	--	--	--	--	21.4
Cumulative effect of accounting changes	(198.4)	--	--	--	--	--
Net income	469.8	883.8	806.1	588.6(3)	633.3	565.9
Earnings per Common share						
Primary						
Continuing operations	\$3.30	\$4.29	\$3.91	\$2.95(3)	\$3.27	\$2.74
Discontinued operations	--	--	--	--	--	.11
Cumulative effect of accounting changes	(.98)	--	--	--	--	--
Net income	\$2.32	\$4.29	\$3.91	\$2.95	\$3.27	\$2.85
Fully diluted						
Continuing operations	\$3.23	\$4.13	\$3.74	\$2.80(3)	\$3.05	\$2.59
Discontinued operations	--	--	--	--	--	.10
Cumulative effect of accounting changes	(.94)	--	--	--	--	--
Net income	\$2.29	\$4.13	\$3.74	\$2.80	\$3.05	\$2.69
COMMON SHARE DATA						
Dividends paid	\$397.5	\$368.0	\$323.7	\$274.3	\$238.0	\$221.9
Dividends paid per share	\$1.97	\$1.805	\$1.5925	\$1.405	\$1.255	\$1.13
Average number of shares outstanding	201.8	204.0	202.6	194.5	189.2	193.4
Book value per share	\$21.09	\$21.14	\$20.42	\$17.98	\$15.21	\$13.20
Number of stockholders, December 31(4)	63,537	63,929	66,950	69,378	72,404	77,106

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BALANCE SHEET DATA

Consumer products and corporate						
Inventories	\$2,043.2	\$1,810.2	\$2,141.5	\$2,043.8	\$1,675.0	\$1,815.9
Current assets	3,733.1	3,453.1	3,869.8	3,829.4	3,005.4	3,080.2
Working capital	575.4	664.4	609.4	622.3	440.2	434.5
Property, plant and equipment, net	1,472.1	1,406.4	1,472.4	1,488.3	1,201.7	1,179.6
Intangibles, net	3,637.9	3,104.0	3,284.0	2,975.3	1,831.4	1,911.2
Short-term debt	1,182.9	824.7	730.6	845.4	740.0	829.3
Long-term debt	2,492.4	2,406.8	2,551.9	2,433.8	1,717.4	2,359.2
Life insurance						
Investments	5,808.8	5,321.2	4,859.7	4,341.6	4,050.8	4,418.3
Policy reserves and claims	2,553.4	2,401.2	2,230.8	2,111.5	2,007.5	2,398.7
Investment-type contract deposits	2,732.3	2,265.9	1,921.4	1,632.6	1,460.8	1,438.3
Total assets						
Consumer products and corporate	9,222.5	8,594.6	9,282.9	8,616.4	6,511.7	6,606.4
Life insurance	7,116.5	6,325.1	5,778.7	5,251.8	4,951.6	5,576.1
Redeemable preferred stock	--	--	130.1	131.9	135.6	137.5
Common stockholders' equity	4,254.3	4,282.5	4,163.3	3,602.0	2,912.4	2,466.4
Capital expenditures	249.9	288.5	233.9	296.7	256.8	235.3

</TABLE>

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(In millions, except per share amounts and number of Common stockholders)					
	1987 (2)	1986	1985	1984	1983
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA					
Revenues	\$10,076.6	\$8,114.2	\$6,983.0	\$6,669.4	\$6,568.5
Depreciation and amortization	168.7	127.4	107.9	104.1	92.4
Operating income	1,087.7	797.6	844.1	835.0	786.2
Interest and related charges	150.4	95.5	99.2	98.6	84.5
Income taxes	379.0	284.1	306.9	263.1	319.1
Income from continuing operations	492.6	357.0	407.5	443.9	357.6
Income from discontinued operations	20.0	4.8	16.9	20.4	26.0
Cumulative effect of accounting changes	--	--	--	--	--
Net income	512.6	361.8	424.4	464.3	383.6
Earnings per Common share					
Primary					
Continuing operations	\$2.16	\$1.55	\$1.78	\$1.94	\$1.54
Discontinued operations	.09	.02	.07	.09	.12
Cumulative effect of accounting changes	--	--	--	--	--
Net income	\$2.25	\$1.57	\$1.85	\$2.03	\$1.66
Fully diluted					
Continuing operations	\$2.09	\$1.52	\$1.74	\$1.89	\$1.51
Discontinued operations	.09	.02	.07	.09	.11
Cumulative effect of accounting changes	--	--	--	--	--
Net income	\$2.18	\$1.54	\$1.81	\$1.98	\$1.62
COMMON SHARE DATA					
Dividends paid	\$232.4	\$224.1	\$214.9	\$204.4	\$195.0
Dividends paid per share	\$1.055	\$1.019	\$.975	\$.928	\$.887
Average number of shares outstanding	220.3	219.7	220.4	220.2	219.7
Book value per share	\$13.24	\$11.51	\$10.82	\$9.52	\$8.93
Number of stockholders, December 31(4)	83,004	86,477	94,862	101,303	106,588
BALANCE SHEET DATA					
Consumer products and corporate					
Inventories	\$1,693.4	\$1,264.4	\$1,254.8	\$1,180.4	\$1,259.3
Current assets	3,414.0	2,052.3	1,975.6	1,750.0	1,880.6
Working capital	1,006.6	415.6	660.0	621.3	680.6
Property, plant and equipment, net	1,078.7	745.1	637.1	532.1	528.4
Intangibles, net	1,381.6	532.1	453.5	407.1	407.3
Short-term debt	751.4	465.0	375.6	397.7	427.7
Long-term debt	1,631.5	671.1	735.5	727.7	595.5

Life insurance					
Investments	4,114.9	3,773.1	3,530.0	3,246.1	2,409.4
Policy reserves and claims	2,316.6	2,225.9	2,187.0	2,191.5	1,647.5
Investment-type contract deposits	1,185.1	1,021.4	848.4	672.9	505.6
Total assets					
Consumer products and corporate	6,080.5	3,947.3	3,589.2	3,189.7	3,317.2
Life insurance	5,216.2	4,863.6	4,557.0	4,347.0	3,218.2
Redeemable preferred stock	137.5	137.5	137.5	137.5	152.7
Common stockholders' equity	2,915.3	2,529.1	2,369.2	2,098.2	1,962.7
Capital expenditures	216.2	201.8	135.8	145.6	110.3

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<FN>

(1) See pages 1 through 13 for Financial Section.

(2) See page 24, Notes to Consolidated Financial Statements, for information related to acquisitions. 1990 includes the acquisitions of The Moen Group, Inc. in August and Whyte & Mackay in February. Southland Life Insurance was sold in March 1989. 1988 includes the acquisition in February of Aristokraft, Waterloo Industries, Twentieth Century Companies, Day-Timers and Vogel Peterson. 1987 includes acquisitions in May of National Distillers and Chemical Corporation's distilled spirits business and in August of ACCO World Corporation.

(3) Net income and primary and fully diluted earnings per Common share include \$179.9 million and 93 cents and 83 cents, respectively, relating to a write-down of an investment.

(4) On January 31, 1994, there were 62,978 Common stockholders of record, not necessarily reflecting beneficial ownership.

</TABLE>

SUBSIDIARIES OF REGISTRANT

The following is a list of subsidiaries of Registrant as of the date hereof and the state or other jurisdiction of incorporation of each. Except as indicated below, each subsidiary does business under its own name. Indentations indicate that the voting securities of a subsidiary are wholly owned by the subsidiary immediately preceding the indentation, unless otherwise indicated.

The names of certain subsidiaries are omitted. Such subsidiaries would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary within the meaning of Item 601(b)(22)(ii) of Regulation S-K.

Subsidiary - - - - -	State or Other Jurisdiction of Incorporation - - - - -
ABCO, Inc.	Delaware
Bonny Products, Inc.	New York
Keeler Instruments, Inc.	Pennsylvania
ACCO World Corporation	Delaware
ACCO Canada Inc.	Ontario, Canada
Plymouth Tool & Stamping Limited	Ontario, Canada
ACCO Europe PLC	England
ACCO-Rexel France S.A.	France
Val-Rex S.A.R.L.	France
ACCO-Rexel Group Services PLC	England
ACCO Company Limited	England
ACCO-Rexel Limited	England
Hetzl GmbH	Germany
Eastlight Limited	England
Marbig Rexel Pty. Limited	Australia
Office Products International Limited	Australia
Timbercrest Properties Limited	England
ACCO-Rexel Limited	Republic of Ireland 1
Don Gresswell Ltd.	England
ACCO USA, Inc.	Delaware
Perma Products Company	Delaware
Day-Timers, Inc.	Delaware
Day-Timers of Canada, Ltd.	Canada
Day-Timers Pty. Limited	Australia
Sax Arts and Crafts, Inc.	Delaware
International Business Controls, B.V. 2	Netherlands
King-Mec S.p.A.	Italy

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- 1 66.67% owned by Timbercrest Properties Limited and 33.33% owned by ACCO World Corporation.
 - 2 Does business in the Republic of Ireland through a branch named "ACCO Ireland."

Subsidiary	State or Other Jurisdiction of Incorporation
-----	-----
Kensington Microware Limited	Delaware
Vogel Peterson Furniture Company	Delaware
Acushnet Company	Delaware
Acushnet Foreign Sales Corporation	U.S. Virgin Islands
Acushnet International Inc.	Delaware
Acushnet Canada Inc.	Canada
Acushnet GmbH	Germany
Acushnet-Danmark ApS	Denmark
Acushnet Osterreich GmbH	Austria
Acushnet Limited	England
Titleist Japan, Inc.	Japan 3
Acushnet (Thailand) Limited	Thailand 4
Foot-Joy, Inc.	Massachusetts
Foot-Joy (Thailand) Limited	Thailand 5
AmeriBrands Finance Canada Ltd.	Ontario, Canada
American Brands Finance Europe B.V.	Netherlands
American Brands International Corporation	Delaware
American Franklin Company	Delaware
The Franklin Life Insurance Company	Illinois
The American Franklin Life Insurance Company	Illinois
Franklin Financial Services Corporation	Delaware
The Franklin United Life Insurance Company	New York
The American Tobacco Company	Delaware
The American Tobacco Company of the Orient, Inc.	New Jersey
Golden Belt Manufacturing Company	Delaware
American Tobacco International Corporation	Delaware
Gallaher Limited	England
Benson & Hedges Limited	England
Dollond & Aitchison Group PLC	England
Dollond & Aitchison Limited	England
Filotecnica Salmoiraghi S.p.A	Italy 6
General Optica S.A.	Spain
Istituto Ottico Vigano S.p.A	Italy
Keeler Limited	England

Theodore Hamblin Limited
 Forbuoys PLC
 Gallaher (Dublin) Limited
 Gallaher Hellas Epe
 Gallaher International Limited
 Gallaher Tobacco Limited
 The Galleon Insurance Company Limited
 J. R. Freeman & Son Limited
 Marshell Group Limited

England
 England
 Republic of Ireland
 Greece
 England
 England
 Isle of Man
 England
 England

- - - - -
- 3 80% owned by Acushnet International Inc.
 - 4 70% owned by Acushnet Company.
 - 5 70% owned by Foot-Joy, Inc.
 - 6 99.998% owned by Dollond & Aitchison Group PLC.

-2-

Subsidiary - - - - -	State or Other Jurisdiction of Incorporation - - - - -
The Prestige Group PLC	England
Fabricados Inoxidables S.A.	Spain
Prestige France S.A.	France
Prestige Group (Australia) Pty. Limited	Australia
Prestige Group UK PLC	England
Prestige Haushaltswaren GmbH	Germany
Prestige Italiana S.A.	Italy
The Schooner Insurance Company Limited	Isle of Man
TM Group PLC	England
The Whyte & Mackay Group PLC	Scotland
Invergordon Distillers Group PLC	Scotland
Invergordon Distillers (Holdings) Limited	England
The Invergordon Distillers Limited	Scotland
William Muir Limited	Scotland
The Scotch Whisky Heritage Centre Limited	Scotland 7
Jim Beam Brands Co.	Delaware
Alberta Distillers Limited	Alberta, Canada
Carrington Distillers Limited	Ontario, Canada
Societe Commerciale La Verendrye Inc.	Quebec, Canada
Featherstone & Co. Limited	Ontario, Canada
Bourbon Warehouse Receipts, Inc.	Delaware
Fortune Brands Pty. Ltd.	Australia 8
James B. Beam Distilling International Co., Inc.	U.S. Virgin Islands
JBB Spirits (New York) Inc.	New York
John de Kuyper & Son, Incorporated	New York

Regal China Corporation	Delaware
Wood Terminal Company	Delaware
MasterBrand Industries, Inc.	Delaware
Aristokraft, Inc.	Delaware
Master Lock Company	Delaware
Master Lock Europe, S.A.	France 9
Milwaukee Lock Company	Delaware
Moen Incorporated	Delaware
HCG-Moen Corporation	Taiwan 10
Moen Inc.	Ontario, Canada
Moen International, Inc.	Connecticut
Moen of Pennsylvania, Inc.	Delaware
Moen de Mexico, S.A. de C.V.	Mexico
Stanadyne do Brazil	Brazil
Stanadyne Ltd.	Japan
21st Century Companies, Inc.	Delaware
Waterloo Industries, Inc.	Delaware
1700 Insurance Company Ltd.	Bermuda

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7 49.41% owned by William Muir Limited, 3.53% owned by Whyte & Mackay
Distillers Limited and 3.53% owned by Invergordon Distillers Limited.

8 299,999 shares owned by Jim Beam Brands Co.; 1 share owned by James B.
Beam Distilling International Co., Inc.

9 99.68% owned by Master Lock Company.

10 50% owned by Moen Incorporated.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference into (a) Post-Effective Amendment No. 4 to the Registration Statement on Form S-8 (Registration No. 33-13363) relating to the Profit-Sharing Plan of American Brands, Inc., the Registration Statement on Form S-8 (Registration No. 33-45869) relating to the Profit-Sharing Plan of The American Tobacco Company and the Registration Statement on Form S-8 (Registration No. 33-39855) relating to the 1990 Long-Term Incentive Plan of American Brands, Inc., and the prospectuses related thereto, and (b) the prospectuses related to the Registration Statements on Form S-3 (Registration Nos. 33-50832, 33-42397, 33-23039 and 33-3985) of American Brands, Inc. of:

- (1) our report dated February 1, 1994, accompanying the consolidated financial statements of American Brands, Inc. and its subsidiaries as of December 31, 1993 and 1992, and for the years ended December 31, 1993, 1992 and 1991, incorporated by reference into this Annual Report on Form 10-K of American Brands, Inc., and
- (2) our report dated February 1, 1994, accompanying the consolidated financial statement schedules of American Brands, Inc. and its subsidiaries, included in this Annual Report on Form 10-K.

We also consent to the references to our firm as experts in the prospectuses related to the Registration Statements on Form S-3 referred to above.

COOPERS & LYBRAND

1301 Avenue of the Americas
New York, New York 10019
March 28, 1994

CONSENT OF COUNSEL

We consent to the incorporation by reference of our opinions contained in Item 3, "Legal proceedings," of this Annual Report on Form 10-K of American Brands, Inc. into (a) Post-Effective Amendment No. 4 to the Registration Statement on Form S-8 (Registration No. 33-13363) relating to the Profit-Sharing Plan of American Brands, Inc., the Registration Statement on Form S-8 (Registration No. 33-45869) relating to the Profit-Sharing Plan of The American Tobacco Company and the Registration Statement on Form S-8 (Registration No. 33-39855) relating to the 1990 Long-Term Incentive Plan of American Brands, Inc., and the prospectuses related thereto, and (b) the prospectuses related to the Registration Statements on Form S-3 (Registration Nos. 33-50832, 33-42397, 33-23039 and 33-3985) of American Brands, Inc.

CHADBOURNE & PARKE

30 Rockefeller Plaza
New York, New York 10112
March 28, 1994

POWER OF ATTORNEY

The undersigned, acting in the capacity or capacities stated with their respective names below, hereby constitute and appoint GILBERT L. KLEMANN, II, EDWARD P. SMITH and A. ROBERT COLBY, and each of them severally, the attorneys-in-fact of the undersigned with full power to them and each of them to sign for and in the name of the undersigned in the capacities indicated below the Annual Report on Form 10-K of American Brands, Inc. for the fiscal year ended December 31, 1993, and any and all amendments thereto:

Signature	Title	Date
William J. Alley - -----	Chairman of the Board and Chief Executive Officer (principal executive officer) and Director	February 21, 1994
William J. Alley		
T.C. Hays - -----	President and Chief Operating Officer and Director	February 21, 1994
T.C. Hays		
A. Henson - -----	Executive Vice President and Chief Financial Officer (principal financial officer) and Director	February 21, 1994
A. Henson		
R.L. Plancher - -----	Senior Vice President and Chief Accounting Officer (principal accounting officer)	February 22, 1994
R.L. Plancher		

Howard C. Humphrey
----- Vice President - Life Insurance and Director February 22, 1994
Howard C. Humphrey

Eugene R. Anderson
----- Director February 21, 1994
Eugene R. Anderson

----- Director February , 1994
Patricia O. Ewers

John W. Johnstone, Jr.
----- Director February 21, 1994
John W. Johnstone, Jr.

Wendell J. Kelley
----- Director February 21, 1994
Wendell J. Kelley

Sidney Kirschner
----- Director February 22, 1994
Sidney Kirschner

Gordon R. Lohman
----- Director February 22, 1994
Gordon R. Lohman

Charles H. Pistor, Jr.
----- Director February 21, 1994
Charles H. Pistor, Jr.

Peter M. Wilson

- -----

Director

February 22, 1994

Peter M. Wilson

POWER OF ATTORNEY

The undersigned, acting in the capacity or capacities stated with their respective names below, hereby constitute and appoint GILBERT L. KLEMANN, II, EDWARD P. SMITH and A. ROBERT COLBY, and each of them severally, the attorneys-in-fact of the undersigned with full power to them and each of them to sign for and in the name of the undersigned in the capacities indicated below the Annual Report on Form 10-K of American Brands, Inc. for the fiscal year ended December 31, 1993, and any and all amendments thereto:

Signature

Title

Date

- -----

William J. Alley

Chairman of the Board
and Chief Executive
Officer (principal
executive officer) and
Director

February , 1994

- -----

T.C. Hays

President and Chief
Operating Officer and
Director

February , 1994

- -----

Executive Vice

February , 1994

A. Henson President and Chief
 Financial Officer
 (principal financial
 officer) and Director

- ----- Senior Vice President February , 1994
R.L. Plancher and Chief Accounting
 Officer (principal
 accounting officer)

- ----- Vice President - Life February , 1994
Howard C. Humphrey Insurance and Director

- ----- Director February , 1994
Eugene R. Anderson

Patricia O. Ewers
- ----- Director February 20, 1994
Patricia O. Ewers

- ----- Director February , 1994
John W. Johnstone, Jr.

- ----- Director February , 1994
Wendell J. Kelley

- ----- Director February , 1994
Sidney Kirschner

- -----
Gordon R. Lohman

Director

February , 1994

- -----
Charles H. Pistor, Jr.

Director

February , 1994

- -----
Peter M. Wilson

Director

February , 1994