

ShareholderProposals

From: Alan Ball ***
Sent: Tuesday, November 19, 2019 3:55 PM
To: ShareholderProposals
Subject: Phillip Morris
Attachments: PM2019.docx

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Re: Phillip Morris petition of 11/8/19

It is possible that my proposal of last year has stimulated the merger discussion with Altria--because the company has been so weakened by overpayment of the shareholders (which would be a pre-requisite to managerial bonuses) it has little choice but to fall into the arms of its sister. The question is now: does the shareholder have *any* right to get *any* proposal on the proxy with respect to the dividend? That is where this attorney is heading. Please check my math: from 2006 through 2011 (positive balance sheet) the company's average annual interest expense worked out to \$489 million. From 2012 through 2018 (negative balance sheet) that expense almost doubled (to \$909 million). From 2004 through '07, with an average stockholder's equity of \$13.4 billion, average annual interest expense was only \$62.5 million. The company has been looted. Will the SEC decide in favor of its unethical management and the short term investors (who couldn't care less) or with the long term investors who want PM to thrive? If the SEC sanctions this type of corporate behavior and doesn't allow responsible stockholders to step up, the whole institution becomes pointless—much like opposition parties in fascist countries. It also puts the American taxpayer on the hook. Flimsy companies tend to fail.

I will also object to any tampering with my wording on the proxy.

Thanks for your time,

Alan Ball

PHILIP MORRIS INTERNATIONAL INC.

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Olga Khvatskaya

ASSISTANT GENERAL COUNSEL
AND ASSISTANT CORPORATE
SECRETARY

EMAIL: Olga.Khvatskaya@pmi.com

November 8, 2019

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
101 F Street, N.E.
Washington, D.C. 20549

**Re: Omission of Shareholder Proposal Submitted by Mr. Alan Ball for
the Philip Morris International Inc. 2020 Annual Shareholder Meeting**

Ladies and Gentlemen:

On October 29, 2019, Philip Morris International Inc. (the "Company") received a shareholder proposal requesting that "the dividend be terminated for two years." (the "2020 Proposal"). The Proposal was submitted by Mr. Alan Ball (the "Proponent"). A copy of the Proposal and accompanying information are attached as Exhibit A. The Proponent submitted a similar proposal in 2018 for the inclusion in proxy materials for the 2019 Annual Shareholder Meeting requesting that "the annual dividend be reduced to \$1 until such time as assets over liabilities equals at least 110 percent, or stockholders equity equals at least \$5 billion" (the "2019 Proposal") and stated in his letter to the Company: "if my proposal does not pass I'll probably resubmit it continuously with minor alterations until it does – maybe." On January 31, 2019, the Staff of Division of Corporation Finance (the "Staff") informed the Company that it will not recommend enforcement action to the Commission if the Company omits the 2019 Proposal from its proxy materials in reliance on rule 14a-8(i)(13) as it relates to a specific amount of cash dividends.

By copy of this letter, the Company hereby notifies the Proponent of its intention to omit the Proposal from any proxy statement and form of proxy for its 2020 Annual Meeting of Shareholders scheduled for May 6, 2020 (the "Proxy Materials"). This letter constitutes the Company's statement of the reasons that it deems the omission to be proper.

On behalf of the Company and in accordance with Rule 14a-8 of the Securities Exchange Act of 1934, as amended, we respectfully request that the Staff concur with our view that, for the reasons stated below, the Proposal may be properly excluded from the Proxy Materials pursuant to Rule 14a-8(i)(13) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and confirm that the Staff will not recommend to the Commission that any enforcement action be taken against the Company if the Proposal is so excluded.

Pursuant to Rule 14a-8(j), the Company is filing this letter no later than 80 calendar days before it intends to file the definitive Proxy Materials for the 2020 Annual Meeting of Shareholders with the Commission. In accordance with Staff Legal Bulletin No. 14D (November 7, 2008) ("SLB 14D"), this letter is being submitted via e-mail to

shareholderproposals@sec.gov. In addition, pursuant to Rule 14a-8(j), a copy of this letter is being sent simultaneously to the Proponent as notice of the Company's intention to exclude the Proposal from the Proxy Materials. Rule 14a-8(k) and SLB 14D require a proponent to send the Company a copy of any correspondence that the proponent elects to submit to the Commission or the Staff. Accordingly, we hereby inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to the 2020 Proposal, a copy of that correspondence should be furnished to the undersigned concurrently.

I. THE PROPOSAL

The 2020 Proposal reads as follows:

"I propose that the dividend be terminated for two years."

II. GROUNDS FOR OMISSION

The Company believes that it may omit the 2020 Proposal from its Proxy Materials pursuant to Rule 14a-8(i)(13) because the 2020 Proposal Relates to Specific Amounts of Dividends.

Rule 14a-8(i)(13) allows a company to exclude a shareholder proposal that relates to specific amounts of cash or stock dividends. The 2020 Proposal requests the Company to reduce the annual dividend to zero for two years. The Staff permitted the exclusion of the Proponent's 2019 Proposal, which was similar to the 2020 Proposal. See *Philip Morris International Inc.* (available January 31, 2019) (permitting the exclusion of the 2019 Proposal requesting that the annual dividend be reduced to \$1 "until such time as assets over liabilities equals at least 110 percent, or stockholders equity equals at least \$5 billion").

The Staff has consistently permitted the exclusion of proposals that seek to establish threshold amounts or formulae for dividend payments, including those seeking to reduce dividends to zero. See, e.g., *Merck & Co., Inc.* (available January 30, 2014) (permitting the exclusion of a proposal mandating that a specific amount of dividends for a security be zero); *Anadarko Petroleum Corp.* (available January 13, 2014) (same); *Cisco Systems Inc.* (available September 9, 2005) (permitting the exclusion of a proposal seeking a shareholder vote on an annual dividend of \$.60 per share); *Honeywell International, Inc.* (available September 28, 2001) (permitting the exclusion of a proposal to eliminate cash dividends and replace them with share buybacks); *Minnesota Mining and Manufacturing Co.* (available March 6, 2001) (permitting the exclusion of a proposal to eliminate cash dividends and use the earnings for expansion); *Eastman Chemical Co.* (available March 8, 2000) (permitting the exclusion because the proposal would effectively reduce the company's cash dividend to zero). Notably, in *National Mine Service Co.* (available September 3, 1981), the Staff permitted the exclusion of a proposal that requested the company to eliminate all cash dividends in a given year, stating: "Since the proposal seeks the cessation of all dividend distributions for fiscal year 1982, it is our view that it is excludable under Rule 14a-8(i)(13) as a proposal relating to "specific amounts of cash or stock dividends."

Accordingly, we believe that the 2020 Proposal may be excluded from the Proxy Materials pursuant to Rule 14a-8(i)(13).

Thank you for your consideration in this matter.

Sincerely,



Olga Khvatskaya

Assistant General Counsel and Assistant Corporate Secretary

cc: **Mr. Alan Ball**

EXHIBIT A

I propose that the dividend be terminated for two years.

A handwritten signature in black ink, appearing to read 'Alan Ball', written in a cursive style.

Alan Ball



Contributory IRA of
ALAN BALL
CHARLES SCHWAB & CO INC CUST
IRA CONTRIBUTORY

Account Number

Statement Period
September 1-30, 2019

Investment Detail - Equities (continued)

	Quantity	Market Price	Market Value Cost Basis	% of Account Assets	Unrealized Gain or (Loss)	Estimated Yield	Estimated Annual Income
Equities (continued)							
PFIZER INC SYMBOL: PFE	150.0000	35.93000	5,389.50 2,605.90	<1%	2,783.60	4.00%	216.00
PHILIP MORRIS INTL SYMBOL: PM	756.0000	75.93000	57,403.08 6,340.28	10%	51,062.80	6.00%	3,447.36
						<i>Accrued Dividend: 884.52</i>	
SOUTHWEST AIRLINES SYMBOL: LUV	225.0000	54.01000	12,152.25 2,511.15	2%	9,641.10	1.33%	162.00
TOYOTA MOTOR CORP F SPONSORED ADR 1 ADR REPS 2 ORD SHS SYMBOL: TM	19.0000	134.49000	2,555.31 1,224.39	<1%	1,330.92	3.25%	83.14
TRANSOCEAN INC NEW F SYMBOL: RIG	150.0000	4.47000	670.50 1,129.95	<1%	(459.45)	N/A	N/A
WABTEC SYMBOL: WAB	1.0000	71.86000	71.86 78.06	<1%	(6.20)	0.66%	0.48
Total Equities	11,316.0000		375,970.05	66%	252,246.21¹		14,363.04
			Total Cost Basis:				115,798.86¹

Total Accrued Dividend for Equities: 1,624.34

Estimated Annual Income ("EAI") and Estimated Yield ("EY") calculations are for informational purposes only. The actual income and yield might be lower or higher than the estimated amounts. EY is based upon EAI and the current price of the security and will fluctuate. For certain types of securities, the calculations could include a return of principal or capital gains in which case EAI and EY would be overstated. EY and EAI are not promptly updated to reflect when an issuer has missed a regular payment or announced changes to future payments, in which case EAI and EY will continue to display at a prior rate.

Schwab has provided accurate gain and loss information wherever possible for most investments. Cost basis data may be incomplete or unavailable for some of your holdings. Please see "Endnotes for Your Account" section for an explanation of the endnote codes and symbols on this statement.

