



BAT INDUSTRIES

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SPC08/TF17/JMH

10th June 1993

R Don Brown Esq
Imperial Tobacco Limited
3810 St Antoine Street West
Montreal
Quebec H4C 1B5

28/7 N
I didn't see this before

it was sent.

What brands involved?

Dear Don,

Thank you for your letter of June 3rd on which principally with respect to Peter Jackson (Overseas) Limited on which I have the following comments :

1. Temporary Royalty Rate Reduction.

low temporary?

We agree with your suggestion of maintaining the 5% royalty rate on all "genuine" exports of Du Maurier to the US market. Having regard to the obvious uncertainty surrounding the correctness of the figures for products smuggled back into Canada, we suggest that there should be a royalty rate of 2% on those other volumes. No doubt you will let me know if you feel that the accuracy around the estimation of the "genuine" exports to the US is such that a lower royalty even than 2% would be appropriate.

2. Extension of the Licence to Mexico

YES WE DO!

First let me agree that we have no objection to including Players in the licence. However, in principle, we would prefer to retain a 12 month notice period.

LA MODERNA,

Clearly if the licence continues, as we expect, for many years then any question of a failure to recover adequately your investment costs will not be relevant. However, I can see that such a concern might arise were the licence to be terminated (other than for cause) in its earlier stages.

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With that point in mind, while I would not wish to change the drafting of the agreement in any way, if we were to terminate the agreement for our convenience during the first four or five years, say, we would certainly discuss with you appropriate compensation for your development of that market if you had not at that time obtained an adequate return for the quality and extent of your efforts in that market.



3. Package Design and Trademark Rights

We certainly feel that in the best interest of maintaining a strong trademark, all the rights relating to trademarks and the like should be owned by the same company. Obviously in 1982 nobody considered the possibility that Imperial might want to acquire some subsidiary rights and, had the matter been raised then, there is no doubt to my mind that the proper answer would have been for Brown & Williamson to file for the ownership of the registered design rights and to licence the whole package (at no further royalty rate) to Imperial. With that in mind, I certainly consider that to be the best way forward since the division of rights between Brown & Williamson and Imperial Tobacco is in nobody's interest.



I understand that making these simple changes would not in any way affect your ability to take the necessary actions to defend your market from infringers, counterfeiters and smugglers. We very much wish to support your efforts in that regard.



Yours sincerely,

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