

G.L.D.
21 DEC 1987
RECEIVED

Imperial Tobacco



3810, rue St-Antoine Street
Montréal, P.Q. H4C 1R5
(514) 932-6161
P.O. Box 6500 C.P.
Montréal, P.Q. H3C 3L6
Cable/Cable 'Telimp'

December 16, 1987

PRIVATE AND CONFIDENTIAL

Gerald Dennis, Esq. *GD*
Deputy Chairman and
Personnel Director
B.A.T. Industries p.l.c.
Windsor House
50 Victoria Street
London SW1H 0NL
England.

Dear Gerald:

FUNDAMENTAL RESEARCH COSTS

Imperial Tobacco is agreeable to remit £300,000 toward the Southampton Fundamental Research Programme and £60,000 for scientific research group (SRG) as outlined in the minutes of the RPG Meeting of September 1987 in Louisville.

When it comes to the RJR initiative, I am somewhat disturbed to hear that we are planning to react with what sounds like a quick fix. Would it not be better for us to set our own objective(s) for this 'new' product and then set the budget?

I see nothing wrong with work to create very low tar and normal nicotine cigarettes, but I find it difficult to contemplate separating this work from the Fundamental Research Programme. I take this position because I believe that improving the quality of the tar is at least as important as reducing the quantity.

...2/

401030881

Imperial Tobacco



3810, rue St-Antoine Street
Montréal, P.Q. H4C 1B5
(514) 932-6161
P.O. Box 6500 C.P.
Montréal, P.Q. H3C 3L6
Cable/Câble 'Telimp'

I understand the initial phase of defining the scope of these new projects is to take place on January 4 and 5, 1988 in New York and also that realistic budgets will be established.

Obviously, we are in principle agreeable to provide our full contribution of £570,000 but our line of thinking always favours a well thought-out and put-together strategic plan over what appears to be a somewhat emotional reaction to the foresight of a major competitor.

Sincerely,

Jean-Louis Mercier

JLM:pt

c.c. Mr. P. Crawford
Imasco Limited

401030882