



# BRITISH-AMERICAN TOBACCO COMPANY LTD

A member of the B.A.T Industries Group

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Registered Office:  
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7 Millbank London SW1P 3JE  
Telephone: 01-222 1222  
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6th February 1985

B.A.T (U.K. and Export) Limited  
Export House  
WOKING  
Surrey

Dear Sirs,

### Management of International Brands

This Company ("BATCo") and various of its wholly-owned subsidiary companies as set out in Column I of the Schedule hereto (hereinafter collectively referred to as "the Brand-owning Companies") own certain proprietary rights in the brands of cigarettes set out in Column II of the said Schedule ("the International Brands") in various territories around the world. The category of each International Brand is set out in column III of the said Schedule. A guide to those proprietary rights ("the International Brand Guide") which includes brief details of licence agreements between the Brand-owning Companies and their Licensees and special arrangements (such as they exist) relating to the manufacture or sale of the International Brands throughout the world has been provided to your company ("BATUKE"). Any change in those proprietary rights, licence agreements or special arrangements shall be notified by BATCo to BATUKE.

On behalf of BATCo and each of the Brand-owning Companies we hereby appoint BATUKE to be the Agent of each of the Brand-owning Companies and in that capacity to manage their respective interests in the International Brands subject to the following terms and conditions:-

#### Agent's Obligations

1. BATUKE shall at its own expense:-

- (a) use its best endeavours to safe-guard and promote the interests of each of the Brand-owning Companies and to develop and extend the business and goodwill of the International Brands by such advertising and promotional activity as BATUKE shall agree with the Licensees of the Brand-owning Companies.

Incorporated in London Number 74974 Cables: Vehicular London SW1

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BATCo document for Province of British Columbia 14 April 1999

(b) use its best endeavours to abide by or implement any policy or strategy communicated to it by BATCo on behalf of the Brand-owning Companies from time to time relating to the International Brands and to co-ordinate the observance or implementation of such policies and strategies by the licensees of the International Brands.

(c) use its best endeavours to ensure that the said licensees of the International Brands observe and perform the obligations imposed under their respective licence agreements, to the extent that such obligations and/or agreements are made known to BATUKE by BATCo. BATUKE shall inform BATCo immediately that a breach of any such agreement comes to its knowledge;

(d) abide by any special arrangements in respect of the manufacture or sale of any of the International Brands where BATCo indicates that such arrangement should not be altered.

#### Agent's Authority

2. (1) Subject to the following sub-paragraphs (2) BATUKE shall be entitled to hold itself out as the duly authorised agent of each of the Brand-owning Companies and in that capacity is authorised to enter into licensing negotiations on behalf of each of the Brand-owning Companies with third parties with respect to the International Brands Provided that BATUKE shall fully indemnify each of the Brand-owning Companies against all claims costs actions or demands or any other financial obligations which they may incur and which arise either directly or indirectly from the exercise by BATUKE of the authority conferred by this sub-paragraph or the performance of its obligations hereunder.

(2) Notwithstanding the preceding sub-paragraph BATUKE shall ensure that when negotiating with third parties on behalf of any of the Brand-owning Companies with a view to concluding new licensing arrangements or revising or terminating existing licence agreements in respect of any of the International Brands it shall observe the following conditions:-

(A) that in any negotiation towards concluding a new licensing arrangement or varying an existing licence agreement BATUKE should not offer the proposed licensee any terms relating to royalty payments that would result in the Brand-owning Company receiving less than the Minimum Royalty except with the express prior written consent of BATCo. For the purposes of this agreement "Minimum Royalty" shall mean either:-

(i) 5% of the licensee's turnover net of all local duties and excise and turnover taxes levied thereon in respect of the International Brand being licensed; or

(ii) where the proposed or existing licensee is an associated or subsidiary company of BATCo and that associated or subsidiary company at the time of the negotiations is manufacturing one or more of the International Brands under licence from any of the Brand-owning Companies, the best terms as to royalty payments reserved under any such licence if those terms are more favourable than those set out in sub-paragraph (i) above

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And in any event, BATUKE shall use its best endeavours to ensure that any new licensing arrangement or variation of an existing licence agreement shall incorporate a clause protecting royalty payments against inflation in the licensed territory and exchange rate fluctuations between the currency in which the royalty payments are expressed to be paid and pounds sterling.

(B) BATUKE shall advise BATCo of any licensing negotiations that it may hold with third parties concerning the International Brands as soon as those negotiations commence and shall consult with BATCo about the principal points involved in those negotiations. In the course of such negotiations BATUKE shall not commit any of the Brand-owning Companies to enter into any binding agreement with a licensee or to vary or terminate a contractual relationship with an existing licensee without first submitting full details of any such proposal to BATCo and obtaining the express written authority of BATCo to make such a commitment.

(C) In particular and without prejudice to the generality of Condition (3) above and in the event that BATUKE or any licensee of any of the International Brands (other than a Licensee which is an associated or subsidiary company of BATCo) makes any alteration to the specification blend packaging or label design of any of the International Brands BATUKE shall complete and submit or shall ensure that the Licensee completes and submits to the appropriate departments of BATCo brand initiation forms and readiness forms duly completed in the usual way, and/or such others as may be directed by BATCo. In the case of associated or subsidiary companies of BATCo, BATCo will itself take action to ensure the submission of such forms direct to BATCo.

(D) Notwithstanding Condition (C) above no alteration shall be made to an International Brand either by BATUKE or any licensee of such brand if such alteration relates to either:-

(i) the specification or blend of any International Brand and if such alteration would result in a substantial change in the basic appearance or smoking characteristics of the brand without first obtaining the express authority of BATCo to proceed with the proposal; or

(ii) the printed packaging or label design of any International Brand without BATCo being aware of such proposals.

(3) For the avoidance of doubt, nothing in this Agreement shall be construed as granting to BATUKE the authority to enter into vary or terminate any agreement or arrangement between any of the Brand-owning Companies and BATUKE or to sell, assign, charge or encumber any of the assets of the Brand-owning Companies.

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### 3. Royal Warrant

In performing its obligations hereunder BATUKE shall take every precaution to ensure that the continuance of the Royal Warrant of Appointment granted by H.M. Queen Elizabeth II to Ardath Tobacco Company Limited or any other Royal Warrant granted to any of the Brand-owning Companies is not prejudiced and BATUKE shall at its own expense take such other action as BATCo may direct to ensure the continuance of the said Royal Warrant.

### 4. Trade Marks

(1) Nothing in this Agreement shall be construed as conferring on or creating in BATUKE any proprietary interest in any of the International Brands.

(2) In the event that any third party shall infringe any of the proprietary rights held by the Brand-owning Companies in any of the International Brands or in the event that any third party alleges that its proprietary rights are being infringed by any of the Brand-owning Companies, BATUKE shall promptly notify BATCo Legal Department thereof as soon as such infringement or alleged infringement comes to its knowledge and shall take such action as BATCo Legal Department may deem appropriate at BATCo's expense to prevent or restrict further infringement of such proprietary rights.

(3) BATUKE shall assist the Brand-owning Companies in the protection or development of their proprietary rights in the International Brands by making limited sales operations in any territory nominated by the Brand-owning Companies from time to time.

### 5. International Brands

The list of International Brands set out in Column II of the Schedule and the category into which each has been placed as set out in Column III of the said Schedule may be amended at any time by BATCo giving written notice to BATUKE to that effect. BATCo will give full consideration to any requests by BATUKE that existing non-international brands of cigarettes or new brand developments by BATUKE should be added to the said list of International Brands but in each case the final decision will rest with BATCo.

### 6. Copyright

BATUKE hereby agrees that copyright in any advertising or promotional material used by it in connection with or in support of any of the International Brands shall automatically vest in and become beneficially owned by the appropriate Brand-owning Company and BATUKE shall ensure that any agreement or arrangement entered into by it with third parties in pursuance of this Agreement reserves the rights of the Brand-owning Companies in such copyright material and BATUKE shall on request enter into a formal Deed of Assignment to assign such copyright to the Brand-owning Company concerned Provided that BATUKE is hereby licenced by the Brand-owning Companies to exploit such advertising or promotional material in connection with the marketing of the International Brands.

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7. Research and Development

BATCo shall continue to undertake scientific research and development in respect of the International Brands and nothing in this Agreement shall operate to vary or terminate any agreement or arrangement whereby BATUKE contributes towards the cost of such research and development.

8. Remuneration

In consideration of the services to be provided by BATUKE hereunder BATCo hereby agrees on behalf of each of the Brand-owning Companies to pay BATUKE a percentage of all gross royalty payments received in the UK deriving from the manufacture or sale of International Brands and which are due and payable on or after 1st January 1984. Insofar as such royalty payments are payable by BATUKE in respect of its own manufacture or sale of any of the International Brands, the appropriate percentage of such royalties shall be waived by the Brand-owning Companies. The percentage of gross royalty payments to be paid to BATUKE shall until 31st December 1984 be 57%. From 1st January 1985 until the 31st December 1987 the percentage of gross royalty payments to be paid to BATUKE shall reduce to 50%. Thereafter the percentage of gross royalty payments to be paid to BATUKE shall be reviewed and if necessary changed by mutual agreement.

(56.25% for 1985)

9. Period of Agreement

This Agreement shall supersede all previous agreements and shall take effect from 1st January 1984 and shall continue thereafter until terminated by BATUKE on giving to BATCo at least three months notice in writing to expire at any time or by BATCo either in respect of itself or in respect of all or any of the Brand-owning Companies by giving at least three months' notice in writing to BATUKE to expire at any time stating in such notice the Brand-owning Companies which wish to terminate their relationship with BATUKE and Column I of the Schedule will be deemed to have been amended accordingly.

10. Conflict of Interest

BATUKE undertakes to notify BATCo as soon as it perceives that a conflict of interest may arise or has already arisen between its duties and obligations as a Licensee under the various Licence Agreements between it and the Brand-owning Companies and its duties and obligations hereunder.

Please signify your Company's acceptance of the terms of this Agreement by signing and returning the enclosed copy letter.

Yours faithfully

  
Director

For and on behalf of British-American Tobacco Company Limited

We hereby agree to the terms of this Agreement

Dated 28 FEB 1985

  
Director

For and on behalf of B.A.T (U.K. and Export) Limited

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