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NO.39

ATTENTION: MR. PAT SHEEHY

RE: TEXT OF LETTER SENT TO THE HONOURABLE HERB GRAY, MINISTER
OF INDUSTRY, TRADE AND COMMERCE CANADA ON NOVEMBER 20, 1981

DEAR MR. GRAY:

AS YOU ARE AWARE, ON DECEMBER 22, 1981 IMASCO SUBMITTED AN APPLI-
CATION TO YOU FOR AN OPINION UNDER SUBSECTION 4(1) OF THE FOREIGN
INVESTMENT REVIEW ACT ('FIR ACT') THAT IMASCO IS NOT A NON-
ELIGIBLE PERSON.

IMASCO BELIEVES THAT IT HAS ESTABLISHED THAT, NOTWITHSTANDING
THE FACT THAT B.A.T. INDUSTRIES LIMITED (THE 'SENIOR SHAREHOLDER')
OWNS OR CONTROLS 49.8 PER CENT OF THE VOTING SHARES OF IMASCO,
THE RELATIONSHIP BETWEEN THE SENIOR SHAREHOLDER AND IMASCO HAS
BEEN AND CONTINUES TO BE ONE WHERE IMASCO PROVIDES APPROPRIATE
INFORMATION TO AND HAS CONSULTATIONS WITH THE SENIOR SHAREHOLDER
SO THAT IMASCO CAN RECEIVE THE BENEFIT OF THE ADVICE AND EXPE-
RIENCE OF THE SENIOR SHAREHOLDER, IT BEING RECOGNIZED
HOWEVER THAT THE ULTIMATE DECISION-MAKING AUTHORITY IN IMASCO,
INCLUDING DECISIONS AS TO THE SELECTION OF DIRECTORS, IS WITH THE
BOARD OF DIRECTORS OF IMASCO AND ITS SENIOR MANAGEMENT.

NOTWITHSTANDING THE FOREGOING, YOU INDICATED AT OUR MEETING ON
SEPTEMBER 18 LAST THAT YOU WOULD HAVE DIFFICULTY IN FURNISHING
OPINION TO IMASCO UNDER SUBSECTION 4(1) OF THE FIR ACT THAT
IMASCO IS NOT A NON-ELIGIBLE PERSON IN THAT, BECAUSE OF THE AFORE-
MENTIONED VOTING SHARE OWNERSHIP, THE SENIOR SHAREHOLDER HAS THE
POWER TO CONTROL IMASCO.

AS A RESULT OF THE FOREGOING IMASCO HAS HAD DISCUSSIONS WITH ITS
BOARD OF DIRECTORS AND SENIOR SHAREHOLDER WITH A VIEW TO FINDING
A SOLUTION TO THE PROBLEM. AS A RESULT, WITH THE APPROVAL OF ITS
BOARD OF DIRECTORS AND ITS SENIOR SHAREHOLDER, IMASCO MAKES THE
FOLLOWING PROPOSAL WITH A VIEW TO RESOLVING THE PROBLEM:

- (A) THE SENIOR SHAREHOLDER WOULD ~~LEGALLY BIND ITSELF~~ TO GIVE THE OK
RIGHT TO THE CANADIAN NON-EXECUTIVE DIRECTORS OF IMASCO TO VOTE
ITS SHARES AT THEIR DISCRETION. ~~SUBJECT TO THE COMMENTS WHICH~~
~~FOLLOW, THERE WOULD BE NO TIME LIMIT ON THIS RIGHT TO VOTE~~ OK
~~THE SENIOR SHAREHOLDER'S SHARES~~ THIS RIGHT WOULD EXIST FROM
THE DATE OF A FAVOURABLE MINISTERIAL OPINION. THE CURRENT
CANADIAN NON-EXECUTIVE DIRECTORS OF IMASCO ARE MR. JOHN COLEMAN,
MR. PURDY CRAWFORD, MR. PETER KILBURN AND MR. JEAN RICHER.
EACH ARE DISTINGUISHED CANADIAN NATIONALS IN THEIR OWN RIGHT.
A SHORT BIOGRAPHY OF EACH PERSON IS ATTACHED AS APPENDIX 'A'.

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~~... TO BE TERMINATED IF THE MINISTER WITHIN
... REFUSED TO ISSUE A RENEWAL OF HIS
... THERE HAD BEEN NO SIGNIFICANT CHANGE IN THE
... MATERIAL FACTS UPON WHICH THE FAVOURABLE MINISTERIAL OPINION
... HAD BEEN ISSUED.~~

Dyf expressed but comes to some thing

(C) THE SENIOR SHAREHOLDER WOULD RETAIN THE POWER TO WITHDRAW THE RIGHT GIVEN TO THE CANADIAN NON-EXECUTIVE DIRECTORS TO VOTE ITS SHARES BY NOTICE IN WRITING TO THE MINISTER IN THE EVENT OF DEVELOPMENTS WHICH ~~... AFFECT THE SENIOR SHAREHOLDER'S INTERESTS.~~

No. In the opinion of the SS omitted

(D) IN THE EVENT OF WITHDRAWAL OF THESE ARRANGEMENTS, IMASCO WOULD IMMEDIATELY CEASE TO REGARD ITSELF AS AN ELIGIBLE PERSON AND WOULD SUBMIT ALL FUTURE ACQUISITIONS OF CANADIAN COMPANIES AND NEW BUSINESS VENTURES TO THE MINISTER FOR APPROVAL. MOREOVER, ~~ANY ACQUISITION MADE OR UNRELATED BUSINESS COMMENCED DURING THE TWO YEAR PERIOD PRIOR TO ANY WITHDRAWAL BY THE SENIOR SHAREHOLDER WOULD BECOME SUBJECT TO REVIEW BY THE MINISTER.~~

is a sign of my mind

Omits except for change by business judge

(E) THE RELATIONSHIP BETWEEN THE SENIOR SHAREHOLDER AND IMASCO WILL CONTINUE TO BE ONE WHERE IMASCO PROVIDES APPROPRIATE INFORMATION TO AND HAS CONSULTATION WITH THE SENIOR SHAREHOLDER SO THAT IMASCO CAN RECEIVE THE BENEFIT OF THE ADVICE AND EXPERIENCE OF THE SENIOR SHAREHOLDER. IT WOULD BE AGREED, HOWEVER, THAT THE ULTIMATE DECISION MAKING AUTHORITY IN IMASCO, INCLUDING DECISIONS AS TO THE SELECTION OF DIRECTORS, WOULD BE EXCLUSIVELY WITH THE BOARD OF DIRECTORS OF IMASCO.

(F) A PROCEDURE WILL BE ESTABLISHED PROVIDING FOR MINIMUM NUMBERS OF NON-EXECUTIVE DIRECTORS, THE METHOD OF THEIR SELECTION AND THE PROCEDURE FOR EXERCISING THEIR RIGHT TO VOTE THE SHARES OF THE SENIOR SHAREHOLDER.

(G) ~~THE SENIOR SHAREHOLDER WOULD NOT INCREASE ITS INTEREST IN IMASCO AND EVERY REASONABLE EFFORT WOULD BE MADE BY IMASCO (IN LINE WITH EARLIER FIRA UNDERTAKINGS) TO REDUCE THE SENIOR SHAREHOLDER'S INTEREST TO 40 PER CENT. IN THIS CONNECTION IT WOULD BE PROPOSED THAT AT THE NEXT ANNUAL GENERAL MEETING OF SHAREHOLDERS THE CHARTER OF IMASCO WOULD BE AMENDED TO PROVIDE FOR A MAXIMUM LIMIT ON THE NUMBER OF SHARES WHICH MAY BE ISSUED BY THE DIRECTORS WITHOUT THE FURTHER APPROVAL OF A SHAREHOLDER'S MEETING. THE MAXIMUM WILL BE CALCULATED SO THAT THE SENIOR SHAREHOLDER'S INTEREST WOULD NOT FALL BELOW 40 PER CENT.~~

We take this out

(H) NOT LESS THAN 80 PER CENT OF THE BOARD OF DIRECTORS OF IMASCO WOULD BE CANADIANS. THIS PERCENTAGE IS ACTUALLY LESS THAN HAS BEEN THE CASE OVER THE PAST 40 YEARS BUT HAS BEEN SELECTED TO ENABLE INDIVIDUALS ASSOCIATED WITH HARDEE'S FOOD SYSTEMS, INC., OUR RECENT U.S. ACQUISITION, TO PARTICIPATE ON THE BOARD.

(I) IMASCO'S CHIEF EXECUTIVE OFFICER WOULD ALWAYS BE A CANADIAN.

(J) THE SENIOR SHAREHOLDER WOULD NOT HAVE ANY NOMINEES ON THE BOARD OF DIRECTORS OF IMASCO. THIS CONTINUES INTO THE INDEFINITE FUTURE A SITUATION WHICH HAS EXISTED FOR MORE THAN 33 YEARS.

(K) IMASCO'S HEAD OFFICE AND EXECUTIVE OFFICE WOULD AT ALL TIMES BE LOCATED IN CANADA. THESE OFFICES HAVE BEEN LOCATED IN MONTRÉAL SINCE THE COMPANY'S INCEPTION.

(L) NOT LESS THAN THREE QUARTERS OF ALL MEETINGS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE OF THE BOARD OF IMASCO WOULD BE HELD IN CANADA. IT HAS BEEN OUR PRACTICE TO HOLD ALL SUCH MEETINGS IN CANADA BUT AGAIN, IN RECOGNITION OF THE ACQUISITION OF HARDEE'S, WE WOULD LIKE TO RETAIN SOME FLEXIBILITY IN THIS AREA.

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I TRUST THAT THE FOREGOING PROPOSAL WILL SERVE AS A BASIS, WHEN APPROPRIATELY DOCUMENTED, FOR THE ISSUANCE OF A FAVOURABLE FIRA STATUS OPINION TO IMASCO.

I AND OTHER REPRESENTATIVES OF IMASCO ARE AVAILABLE TO MEET WITH YOU OR YOUR OFFICIALS AT YOUR CONVENIENCE TO DISCUSS THIS MATTER.

SINCERELY,

PAUL PARE

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