

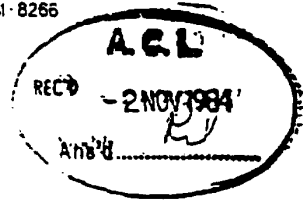
BATUS

A MEMBER OF THE BAT INDUSTRIES GROUP

BATUS INC. · 2000 Citizens Plaza · Louisville, Kentucky 40202 · (502) 581-8266

LEONARD W. ARENTSEN
Senior Vice President-Finance

October 30, 1984



Mr. A. C. Long
B.A.T Industries p.l.c.
Windsor House
50 Victoria Street
London SW1H 0NL, England

Dear Tom:

The attached internal BATUS memorandum highlights the structure of the Inasco stock purchase as we understand it and how we intend to structure it on BATUS' books.

We have spoken to Richard Lassen regarding the funding for the transaction. We expect to pay BATIF a commercial paper rate plus a small fee for a back-up or support facility that would allow BATUS and B.A.T to classify the debt as long term. Since the investment will be carried in Canadian dollars, BATUS would prefer Canadian dollar debt in order to hedge the exchange risk. This was discussed with Richard Lassen and we requested that BATIF on-lend to BATUS in Canadian dollars. BATIF would be in a much better position to manage the exchange risk in connection with B.A.T's worldwide program.

The attached memo indicates that there will be a slight positive impact on BATUS' net income assuming a 11.5% interest cost. Annual cash flow would be reduced approximately \$4.8 million and the debt equity ratio would increase approximately 6%. Following up on our discussion in Milwaukee, it is requested that these factors be considered in the BATUS guidelines.

I will be glad to discuss it with you further at your convenience.

Sincerely,

/gs

Attachment

cc: H. F. Frigon
C. I. McCarty

APPLETON PAPERS INC. · BROWN & WILLIAMSON TOBACCO CORP. · EXPORT LEAF TOBACCO · FREDERICK & NELSON
GIMBELS DEPARTMENT STORES · J. B. IVEY & COMPANY · JOHN BREUNER COMPANY · KOHL'S DEPARTMENT STORES
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