

24th October, 1984

NOTE TO THE CHAIRMAN'S POLICY COMMITTEE

IMASCO - PRIVATE PLACEMENT

The purpose of this note is to update that of the 5th October on the proposed acquisition of an additional 3.4 million shares in Imasco.

It was previously thought that the proposed placement would have no chance of acceptance by the Ontario Securities Commission unless the share price was at the highest price attained this year (C\$43.25) and that a premium be paid on top of this.

It has now been established that the Ontario Securities Commission is less restrictive, but will not accept a price that is lower than 85% of the closing price of the security on the exchange on the trading day prior to the date on which notice is given to the exchange.

Imasco is most unlikely to accept a discount and in any event it is important that the placement transaction is seen to be at arms length. There is, however, scope for negotiation especially as when Imasco last issued shares to third parties an underwriting commission of 4.5% was paid on the market price at which the shares were placed.

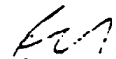
It is now intended that a formula for the issue price should be proposed (over the telephone) by Imasco on Friday 24th October after the interim announcement. It will be open to B.A.T Industries to make a counter proposal at this time.

On Tuesday 30th October the final negotiations on price will take place, based on the previous Friday's proposals. Assuming the price is agreed, the private placement agreement will be cleared with the Ontario Securities Commission in advance of formal approval of the respective Boards on 6th and 7th November.

Paul Pare has proposed this procedure because he believes that agreement on the price issue should not be seen to take place too close to the interim announcement. It will also allow both sides to consider their negotiating positions in the light of the development of the share price up to 30th October.

Paul Pare has stipulated that a condition of his price formula will be that the agreed price cannot be lower than market price on 30th October (the date of the agreement on price). This clearly indicates the minimum price for which he is looking. It is suggested therefore that a reasonable compromise for the finally agreed issue price formula should be the market price on that 30th October, subject to certain safeguards in the event of a sharp price rise. For example we could stipulate that we would not consider a price in excess of C\$43.25 - the highest price achieved earlier this year.

It is suggested that the counter proposal to be put to Imasco on Friday 24th October should be for the issue price to be based on the average market price for the 20 trading days up to and including 30th October 1984 without any premium.


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