

5th October, 1984.

SECRET

NOTE TO THE CHAIRMAN'S POLICY COMMITTEE

IMASCO - PRIVATE PLACEMENT

Paul Pare came back to me today. They have realised that any private placement has an impact on the cap and they feel that a private placement should take that into account. They would therefore propose that at the next A.G.M. the cap should go to 60 million shares in the light of a private placement to us of 3.4 million shares which would take us to over 44% of the shares in issue before that A.G.M., i.e. the current 51.1 plus the 3.4 million under the private placement. Therefore, following the A.G.M. at which the cap went to 60 million shares, we with 24 million would have 40% of the authorised capital.

Mr. Pare then went on to talk about price and said that Peter Kilburn's view is that this placement, which would need to be referred to the Ontario Securities Commission, would have no chance of acceptance by that body at any price below the highest price attained by the shares earlier this year, which is C\$43.25, and that a modest premium should be payable on top of this. They are thinking in terms of an 8% premium, visualising that the price would be C\$44 or 44.25 per share which would cost us C\$150 million approx. for the placement.

They would expect that short of such a price the Ontario Securities Commission would require the placement to be put to an E.G.M. at which we could not vote our stock. We would therefore need 60% of the other shareholders to vote in favour of the resolution to secure an endorsement.

There is a timing problem. Imasco would ordinarily expect to announce its second quarter results on November 7th but would be in a position to pre-release on October 26th. They feel it is desirable to disclose the results before a private placement and they think the results will help the share price.

The stock split they had earlier talked about they now wish to do in the longer term and would postpone it until the 1985 A.G.M.

They would like over the next two weeks to talk to the Ontario Securities Commission on an entirely hypothetical basis but I cautioned them against doing this in any way which could lead that Commission to fix its mind on a high premium and said as a first reaction that we would regard an 8% premium as significantly above the maximum that could be accepted by us.

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Paul talked about the possibility of a private placement announcement on 28th October, i.e. two days after the pre-release of their second quarter results. I replied that as things now stood we were in line to put any proposals to our Board at its meeting on 6th November, which is the day before the Imasco Board. He thought this timing would suit them equally well.

REA & DERICK

Fantle now says that he can achieve break-even after all interest costs in the first year at a purchase price as high as US\$85 million. This excludes the beneficial effects of finance by B.V. which is worth US\$4 million. The Imasco Executive has authorised Mr. Pare to discuss a deal at a second round, i.e. committed bid price of between US\$70 and 85 million and this will occur in the fortnight after 17th October which is the closing date for the preliminary indications. He has undertaken that Dan Somers will send to my office further specific information about Rea & Derick later this week.



G.L. Dennis

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**BAT Industries document for Province of British Columbia 12 April 1999**