

23/3/88 15:12 IMASCO (MONTREAL)

Mr. Sheehan  
Mr. Garraway  
Mr. Brunell  
Mr. Long ✓

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G.L.D.  
- 5 APR 1988  
RECEIVED

Montreal, March 31, 1988

BY TELESCOPIER

Mr. G.L. Dennis 67  
B.A.T Industries  
Windsor House  
30 Victoria Street  
London, England

Imasco Limited  
4 Westmount Square  
Montreal, Canada  
H3Z 2S8  
(514) 857 8111

Purdy Crawford  
Chairman,  
President and  
Chief Executive Officer

Mr. Longley

Dear Gerald -

Re: Genstar Acquisition Goodwill

A. C. L.  
REC'D - 5 APR 1988  
Ans'd [Signature]

I have your letter of March 29 in connection with this matter.

From our perspective, we tend to look at the positive things regarding the CT acquisition. Notwithstanding the 1987 adjustments, we acquired CT at a cost of 12 - 13 times 1987 earnings, and I am firmly of the view that our people made an outstanding acquisition.

3/3-88 earnings were  
CF 90.6 x 12-13  
= \$116m

I think, as your letter implies, that we are subject to some justifiable criticism relating to a substantial part (perhaps 50%) of the 1987 adjustments. When we set up the original \$800 million as estimated net proceeds from Genstar disposals, we perhaps should have been able to have anticipated with more information that the figure might be considerably lower. It is perhaps enough to say that having to make the adjustments was a source of embarrassment to us. It would of course have been much better if the original estimate had been more accurate.

9 months to 3/12-87  
C \$ 109.5  
is annualized per  
of 12-13.

There will be no further adjustments to the cost of CT. In terminating the disposition account and setting up the value of the remaining Genstar assets on our books less reserves for liabilities, contingent and otherwise, we believe we have been prudent and conservative. On the whole, we believe that over time there is in the aggregate more potential for a positive contribution from these remaining assets to our profits than the reverse.

Yours sincerely,

[Signature]

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