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BAT CO LTD
INASCO MONTREAL

Mr. A.C. Long
NO. 227 P02

C.P.C.



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PDL.

Montreal, January 6, 1988

Inasco Limited
4 Westmount Square
Montreal, Canada
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(514) 837 9111

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

Purdy Crawford
Chairman,
President and
Chief Executive Officer

Dear Gerald -

I am enclosing a letter dated January 6, 1988 from Brian Levitt of the Oler firm. The letter relates to the implications for B.A.T of the draft Trust and Loan Companies Act.

The following general comments may be helpful in considering the letter.

NON-RESIDENT CONSTRAINTS

The provisions of the draft Act relating to non-resident ownership constraints are not new, although they clarify a point (to our mutual benefit) that is ambiguous in the existing Loan Companies Act and other applicable legislations. You may recall I have stated on several occasions that if at the time Inasco proposed to acquire Genstar, B.A.T had have owned more than 50% of the voting shares of Inasco, Inasco would not have been able to proceed, i.e. Inasco would have been a non-resident for purposes of the Loan Companies Act. Since the present definition in the Loan Companies Act is ambiguous as to whether it relates to legal or de facto control, we were concerned at the time of the Genstar acquisition that this issue would be raised by Genstar or by the government on the basis that B.A.T had de facto control of Inasco. Much to our relief, the issue was not raised. Also much to our relief, the draft Act clarifies this issue in our favour.

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MINISTERIAL APPROVAL

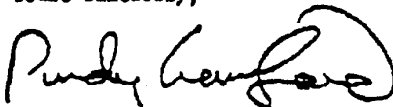
The requirement for Ministerial Approval part is more troublesome. As I understand from the letter, this requirement would prevent B.A.T from increasing its holding in Imasco above the current level (in addition, the non-resident provisions referred to above would prevent a holding in excess of 50% without the consent of the Minister. In addition, B.A.T would not be able to dispose of Imasco other than as a widely held basis (no block over 10%) without the consent of the Minister. On the other hand, if I understand the matter correctly, no other person could acquire more than 10% of Imasco without Ministerial consent. The thrust of these provisions is to prevent the indirect sale of a financial institution (e.g. Canada Trust) to another commercial institution since the policy of the government is to grandfather existing commercially linked financial institutions under their present ownership but not to permit new commercial entrants into the sector. Personally, I have a lot of confidence in our and your ability to obtain Ministerial consent in reasonable situations but nevertheless the provisions are troublesome. We will of course be attempting to modify these provisions.

I think it is important that whatever action, if any, B.A.T may wish to take to influence the draft Act, be done through Imasco or closely coordinated with Imasco. In this connection, Minister Hockin has indicated that he would like to receive comments by February 15, 1988.

If you wish to pursue the matter, you might wish to consider the possibility of Brian Levitt going to London at an early date to brief B.A.T on these issues.

I am enclosing a memorandum dated January 5, 1988 from Terrance Wylie commenting in general terms on the draft Act and I have arranged for Roger Ackman to forward under separate cover a copy of the draft Act.

Yours sincerely,



PC/14

Encl.

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