

7 August 1984

Dr S R Massey
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Dear Stewart

I am sorry to see from your letter of 26 July that you are still aggrieved on the question of your BAT A-Share Option. I did not send a formal reply to your letter of 15 May because I thought we had fully discussed the matter when we met at Southampton in June.

There are two areas in which there appear to be misunderstandings. First, the use and the meaning of the word 'transfer'. Notwithstanding the fact that Mr Green in his letter of 2 December 1983 to Mr Bleich said that if you were classed as transferred you may continue in the scheme, he was quite explicit in saying that if you were classed as "resigning" then you must exercise your Option within six months of resignation. In the context of the way in which you moved from BATCo to IIL (ie, from secondment to permanent employment) you clearly "resigned" from BATCo; witness, for example, the fact that you received a fully paid-up pension from BATCo.

I believe it is also relevant that Mr Bleich, in his letter of 17 April 1984 to Mr Owen, referred to copies of a form "completing the transfer to Imperial Tobacco" - which clearly related to your permanent move from BATCo to Imperial Tobacco. I do not think, therefore, that you have been mis-led by the use of the word "transfer".

The other area of apparent misunderstanding relates to the legal interpretation of the terms 'Subsidiary Company' and 'Associated Company'. As you know, continued participation in the BAT Share Option scheme is only available to employees of the participating company 'and any subsidiary under the control of

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that company'. Imasco is clearly not a Subsidiary Company within the context of the 1979 Act to which you refer.

Once you become a formal employee of ITL it was not legally possible for you to continue within the BAT Share Option scheme, and accordingly Pat Pattinson informed the Registrar and the SAYE Office of your changed status.

I understand that you have in fact now exercised your Options as advised by Pat Pattinson and also, more recently, cancelled your Standing Order and given instructions as to where the accumulated monies should be paid.

As I have already indicated when we talked in June, it is believed within BATCo that there is nothing that can or should be done - other than to regret that you have been disappointed by the course of events.

You asked that I inform Mr Dennis of your concern, and I have, therefore, copied this letter to him.

With kind regards

Yours sincerely

L C F BLACKMAN

CC Mr G L Dennis

Mr J-L Mercier
Mr C Mercier
Dr P J Dunn

(NOO: CC Mr A R Jellings/Mr W E Green)

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