

TO T.E.C.

Central Research and Development

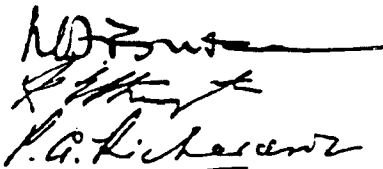
We are at present negotiating a written agreement with IMASCO Ltd. on the basis of the Hot Springs Agreement.

The Hot Springs Agreement provided that B.A.T. Co. Ltd. would have worldwide proprietary rights to developments arising out of central research but that participating companies would have royalty free use in their own territory.

The Canadians have pointed out that this could enable B.A.T. to license a competitor in Canada to the detriment of IMASCO. (Furthermore, although the Canadians are not aware of this, the proceeds of such licensing would accrue directly to B.A.T.) IMASCO would, therefore, like to have exclusive as well as royalty free use of developments.

It is suggested that IMASCO has a valid objection and that, while not agreeing to an exclusive licence, a clause should be included in the Agreement to the effect that B.A.T. would not license any person in Canada to use the products information and developments arising out of Central Group Research without the agreement of IMASCO.

The agreement of the T.E.C. to this proposal is requested.


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