

AGREEMENT

THIS AGREEMENT is made the 23rd day of December 1980

BETWEEN

BRITISH AMERICAN TOBACCO COMPANY LIMITED, whose registered office is situated at Westminster House, 7 Millbank, London SW1, England

(hereinafter called "BAT")

of the one part

IMASCO LIMITED on behalf of itself and its subsidiary companies whose office is situated at 4 Westmount Square, Montreal, Quebec, H3C 3L4

(hereinafter called "Imasco")

of the second part

WHEREAS:

- A. BAT has for many years maintained a research and development centre in England which conducts research and development work for BAT and its affiliates as follows:-
- (i) projects which are specifically and separately commissioned by affiliates of BAT or by BAT itself and which are paid for by the commissioning company.
 - (ii) Central Group Research (as defined below) which is carried out for the mutual benefit of Participants (as defined below) including Imasco.
- B. The projects programmes, research areas and related costs to be included in Central Group Research from time to time are discussed, formulated and determined annually by BAT Imasco and the other Participants.
- C. It has been agreed that Imasco and other Participants shall contribute towards the costs of Central Group Research and shall receive from BAT all information resulting from such research.

NOW IT IS HEREBY AGREED as follows:

1. (a) "Central Group Research" means the central research and development work carried out by BAT for the mutual benefit of Imasco and other participants in the following areas:
- (i) Biological Research and Information
 - (ii) Product Research
 - (iii) Smoker Research
 - (iv) Process and Engineering Research
 - (v) New Smoking Material Research.
- (b) "Participant" means any company engaged in the manufacture and marketing of tobacco products in which BAT or BAT Industries Limited owns directly or indirectly at least 30% of the voting stocks and being a company to which BAT provides or has agreed to provide information pertaining to Central Group Research.

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2. With effect from January 1st, 1980, Imasco shall pay towards the cost of Central Group Research for each year ending December 31 ("the current year") a sum calculated in accordance with the following formula:

$$\begin{array}{r} \text{Cost of Central} \\ \text{Group Research as} \\ \text{calculated by BAT} \end{array} \quad \times \quad \frac{\text{Net turnover (as defined below)} \\ \text{of Imasco}}{\text{net turnover (as defined below)} \\ \text{of all Participants (including} \\ \text{Imasco)}}$$

provided that in respect of any current year up to and including the year ended December 31, 1981, Imasco's payment shall not exceed 0.21% of its net turnover.

For the purpose of this calculation "net turnover" means net turnover after duty and excise taxes arising from the manufacture and sale of tobacco products (finished goods) during the current year or in the case of a Participant's financial year ending on a date other than 31st December during that Participant's financial year ending during the current year.

3. Imasco shall pay its share of costs to BAT at such intervals as may be agreed between the parties hereto but in any event within 90 days of the ending of each current year.
4. (1) BAT shall promptly provide Imasco with information resulting from Central Group Research.
- (2) Imasco shall have royalty-free use in Canada of all developments resulting from Central Group Research.
- (3) BAT grants right of access by Imasco scientific research personnel to its research laboratories for purposes of observing progress, elaboration of research finding and scientific consultation.
5. For the avoidance of doubt both parties hereby agree that BAT shall have full worldwide proprietary rights to all products information and developments resulting from Central Group Research including inter-alia the right to patent and license such products information and developments provided that BAT shall not license any third party to use any such products information or developments in Canada without Imasco's prior written consent which consent shall not be unreasonably withheld.
6. Nothing contained in this Agreement shall preclude Imasco from conducting its own research at its own expense and from having full worldwide proprietary rights to all developments resulting from such research.
7. This Agreement may be terminated by either party giving twelve months written notice of termination to the other party such notice to expire on December 31 of any year.
8. Any prior agreement for the sharing of costs of Central Group Research is hereby automatically cancelled.
9. For the avoidance of doubt it is hereby confirmed that this Agreement does not in any way apply to any independent separate research project which Imasco or any other person firm or company may commission from BAT.
10. This Agreement shall be governed by and construed in accordance with the Laws of England.

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AS WITNESS the hands of the duly authorized representative of the parties hereto the day and year first above written.

WITNESS

SIGNED BY

P. D. Moore

W. B. White

DIRECTOR

for and on behalf of
British-American Tobacco
Company Limited

WITNESS

SIGNED BY

E. R. Ford

P. A. Ryan

J. Bastien

P. K. Ryan

for and on behalf of
Imasco Limited

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