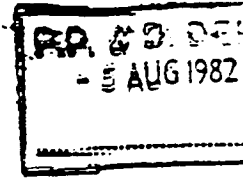




*Rothmans of Pall Mall Canada Limited*

1500 DON MILLE ROAD DON MILLS ONTARIO M3B 3L1 TELEPHONE (416) 449-5525



July 23, 1982

Mr. Norman Davis  
Head of Production Planning and Development  
British-American Tobacco Company Limited  
P.O. Box 482, Westminster House  
7 Millbank  
London, SW1P 3JE, England

Dear Mr. Davis:

Thank you for your letter of June 25, 1982.

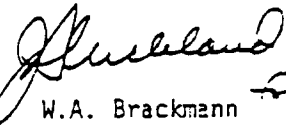
The terms set out in the letter are acceptable to us, with the following two provisos:

1. In the event that BAT makes any improvement or modification to the Experimental Unit during the Evaluation Period, details of such improvement or modification shall be disclosed promptly to Rothmans. In the event that such improvement or modification becomes the subject of a BAT patent, Rothmans will enter into a royalty free license arrangement with BAT, acceptable to both parties, governing the use of such patent.
2. Also, BAT undertakes that it will not itself nor permit its subsidiary, Berlin Company, to build another unit to duplicate the Rothmans Procedure during and subsequent to the Evaluation Period without prior written consent of Rothmans, such consent not to be unreasonably withheld in the event that patents do not issue on the Rothmans Procedure.

We trust you find this satisfactory and on this basis we are prepared to proceed.

Yours very truly,

ROTHMANS OF PALL MALL CANADA LIMITED

By 

W.A. Brackmann  
Vice President Engineering and  
Technology

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