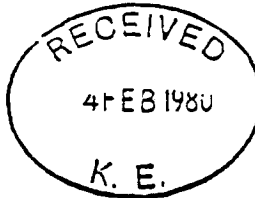


Imperial Tobacco Limited/Limitée



January 16th, 1980



Imperial Tobacco Limited
Imperial Tobacco Building
1019 Avenue Road
Toronto, Ontario
M5G 1S3
Canada

Mr. K. Etherington
Westminster House
7 Millbank
London SW1P 3JE

Dear Ken:

I am returning you the draft agreement covering research activities with some proposed changes identified as relevant to the purpose of this agreement and which we comment as follows:

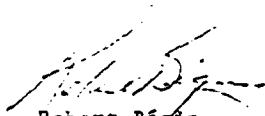
- Name of Company "Imperial Tobacco Division of Inasco Limited" is the preferred name to be used in connection with the operations of the tobacco division.
- Beneficiaries of research activities and definition of central research group
Parag. A, 1 (a), (2) Please refer to the attached comments received from R. Gibb our V.P. Research & Development. It is understood that research activities under central group research control are for the benefit of B.A.T., Imperial and participants and the budgeted costs to be shared should only refer to costs of participants as defined in agreement.
- Parag. 4 We have added subparag. (3), which would emphasize Imperial's involvement in the activities of Central Research and support our claim for expenditure incurred.
- Turnover We have clarified the measuring of turnover to be used in the determination of the maximum amount payable i.e. meaning the turnover after taxes (our net sales value) of finished goods sold (cigarettes, cigars, tobacco products).

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I would appreciate your confirmation of the above and welcome your comments before this is finalized for our signature.

Sincerely,



Robert Bégin
V.P. Finance

RB/mfd

Encl.

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