

Imperial Tobacco Limited/Limitée



June 6, 1990

3810, rue St-Antoine Street  
Montreal, P.Q. H4C 1B5  
(514) 932-6161  
P.O. Box 6500 C.P.  
Montreal, P.Q. H3C 3L6  
Cable Cable 'Telex'  
Telex Telex 055-60673  
Fax (514) 939-0432

Mr. Joe Green  
Mr. Dick Brentnall  
B.A.T. (U.K. & E.) Ltd.  
Export House  
Woking, Surrey GU21 1YB  
ENGLAND

Gentlemen,

As per our discussion, I have queried Mac Harrison and Financial Planning vis-à-vis the proposed price structure regarding 3-5's in Canada.

The clarification you requested is contained herein. The overall presumption should be that we have treated this exercise as if the brand was one of our own domestic manufactured marks.

The pricing structure is the same as that which is applied by all three Canadian companies.

The copy of Mac's letter to you is enclosed and page 2 is numerically itemized with the appropriate clarification listed below:

- Item 1 The same invoice price we charge wholesalers for our products (the same as our two Canadian competitors).
- Item 2 2-1/2% - 12 days; net 20.
- Item 3 "Partners in Progress Bonus Program" offered to all ITL wholesalers, on all products purchased.
- Item 4 ITL's selling price to wholesalers.
- Item 5 Imposed by Federal Government.
- Item 6 The same profit margin objective as we have for our own products. Keep in mind this includes warehousing costs. It also includes the cost of money required for inventories of a 13 week duration.

...2

301587521

- 2 -

The advertising/promotion expenditures would be minimal keeping in mind the government imposed ban on advertising. I could see some minimal amount required for the initial distribution incentive at retail level.

The other alternative to the initial scenario is to consider 3-5's as a premium priced product by \$0.10-\$0.15 per pack which may contribute to your bottom line needs.

If further discussion is desired, I'll be more than pleased to assist wherever necessary.

Kind regards,

Richard Ward  
Manager  
Duty Free & Export Sales

/mjg  
encl.  
cc: G.M. Harrison

301587522