

Imperial Tobacco Limited/Limitée



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April 23, 1990

Mr. R. Brentnall  
Area Manager  
Western Hemisphere  
B.A.T. (U.K. and Export) Limited  
Export House  
Woking Surrey GU21 1YB  
ENGLAND

Dear Sir,

With regard to 555's, we do wish to take direct responsibility for the handling of this product, should you wish to proceed in Canada.

Our short term forecast suggests an annual volume of 5.7 million sticks, growing to 18.7 million sticks based on the projected population increase of mother-tongue Chinese in the Greater Vancouver area over the next seven years.

Our research indicates that the product should be offered at prevailing domestic prices and not as a premium priced brand. The forecast volume assumes prevailing domestic price.

The packaging requires the health warnings as detailed in Bill C-51 and, since our market share is greater than 1%, it is required by law that the ingredients/constituents be divulged to government.

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Our minimum profit margin objective is 16.0% of Net Invoice - after discounts and all advertising/promotion expenditures are covered by you.

The proposed Supplier Price is F.O.B. Montréal, expressed in Canadian funds and payable in Canadian funds.

Suggested Consumer Price

- per 20 pack	\$ 2.18
- per 200 carton	21.80
Trade Margins: Wholesale & Retail (17.6%)	<u>3.83</u>
INVOICE PRICE - per 200 unit	\$17.97
- cash discount (2.5%)	.4493
- bonus rebate program (approx.)	<u>.1368</u>
Net Invoice after discounts	\$17.3839

Per M Cigarettes

Net Invoice after discounts	\$86.9195
Laid-Down cost:	
PROPOSED SUPPLIER PRICE (Cdn.)	\$13.2000
less: Freight included in price (est'd)	<u>.4500</u>
Base for Customs Duty	\$12.7500
Custom Duty @ 20.0%	2.5500
Federal Excise Duty	<u>24.4750</u>
Base for Federal Sales Tax	\$42.7750
Federal Sales Tax @ 19.0%	8.1273
Federal Excise Tax	21.3760
Freight from supplier (as above)	<u>.4500</u>
Laid-Down Cost	\$72.7283
Freight-Out: to depot/customers	<u>.2593</u>
<u>ITL PROFIT MARGIN OBJECTIVE (16.0%)</u>	<u>\$13.9319</u>

Awaiting your response.

Sincerely,



G.M. (Mac) Harrison  
National Sales Director

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