

TRANSLATION of JAVA Tobacco Factory letter by Prof. Wm. Tullar of UNCG

August 16, 1991

Dear Mr. Spears:

We have received information from Mr. William Tullar about your interest in creating a cooperative venture for distribution of cigarettes in the Soviet market. We are interested in this proposal from the point of view of producing cigarettes brands together which will be distributed as our brand or as your modification.

The Soviet enterprise Yava is one of the largest enterprises with the USSR for the production of cigarettes. The production capacity of Yava is 14 billion cigarettes per year of which 10 billion are filter cigarettes.

From our point of view, participation of partners in the common venture might be realized in the following form. The American partner will contribute know-how and modern equipment; the Soviet partner will contribute the production site, raw materials, and production labor. In addition, the Soviet partner will distribute cigarettes in the Soviet market. Rubles received are what may be reinvested in further production. Further, we might consider the possibility of the offering of a new brand of cigarettes and their distribution in the market of third countries. In this case, distribution may be carried out by the American partner.

If our proposal suits you, as a first step to arrange business cooperation we would like to invite representatives of your company to visit our plant this autumn.

We would be able to discuss detailed organizational and financial aspects of our cooperation. In this case if we attain mutual agreement in the course of return visit to your plant, we might be able to sign an agreement of cooperation. As a possible variation payment for reciprocal visits may be carried out on a basis of no hard currency exchange.

We await your soonest evaluation of our proposal.

For communication with us you may use Fax #257-15-88.

With great regard.

General Director

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