

To: Floyd Lockamy
From: Ron Kline

June 27, 1988

RE: Cost Impact resulting from 7.2% Reduction in Substrate Weight

The following is a cost breakdown per cigarette for years 1988/9, and its volume extended savings resulting from a 7.2% reduction in Substrate weight. This analysis does not recognize any labor savings due to potential increased throughput on the Bosch. If you have any questions please call.

	<u>1988</u>		<u>1989</u>	
	B-4 Cost Per 1	After 7.2% Cost Per 1	B-4 Cost Per 1	After 7.2% Cost Per 1
<u>Components</u>				
-Alumina	\$.0030	\$.0027	\$.0027	\$.0025
-B-3, Fb - Agents, Absolute Cocoa, Corn Syrup, Cut Filler.	.0040	.0037	.0040	.0037
Cost Per 1	\$ <u>.0070</u>	\$ <u>.0064</u>	\$ <u>.0067</u>	\$ <u>.0062</u>
Savings per 1	\$.0006		\$.0005	
Total Capsules Across Bosch	417,333,333		4,593,750,000	
Savings per Year	<u>\$250,400</u>		<u>\$2,296,875</u>	

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cc: Ray Harris