

**PARK 500**

INTER-OFFICE CORRESPONDENCE  
 CHESTER, VIRGINIA

B. C. Reynolds



*Park 500 1988 - 1992 Operating Plan - 2nd Revised*

**1988 Operating Results**

Through the April shutdown, Park 500 has produced 42.675 mil lbs of RL and RLB for both the domestic and export market. This is 525,000 lbs less than was called for in the 1st revised operating plan.

In March, the cigarette factories switched over to a 60/40 mix of RLB/RL. This fact plus the shortfall in production year to date have resulted in a rapid decline in domestic RLB inventories (5.76 mil lbs as of 4/28/88). Therefore, we have agreed to make up the 1.669 mil lbs of RLB (Dom) which was originally scheduled for April on Line I and produce it in May with the 1.375 mil lbs scheduled for June to minimize change overs. A complete, updated, month by month plan for all three lines is depicted below for the remainder of the year.

**1988 Production Plan - 2nd Rev.**

**1988 Operating Plan**

In the latest telex from Europe (4/20/88 from C. Wolfe), 1988 orders have been reduced from previous commitments. RLB orders (both high and low humectant) have been reduced by 2.1087 mil lbs (-12.8%) and RL orders have been cut by .734 mil lbs (-3.0%). This reduction will enable us to produce all 1988 orders this year. This reduction in export demand has been offset by an increase in the amount of RL used in cigarettes. A comparison of usage projections is listed below.

PLAN	Orig Budget	1st Rev.	2nd Rev.
Production	122.800	129.400	128.875
Usage Cigs	78.370	80.064	83.291
Export	38.921	41.504	37.797
E B S	5.703	7.774	7.774
Tot Usage	122.994	129.342	129.042



1988 Park 500 2nd Rev. Production Schedule  
 (All Figures Are Stated In Millions Of Pounds)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
LINE I													
RL-D	3.875	3.625	625			2.500		2.500	1.563				14.689
RLB-D					7.044		2.150			2.378	2.265		9.836
RLB-Ex			2.269				1.725		1.11825			1.5336	6.646
RLB-Ex				1.438		2.4282				1.52945		2.1725	7.668
LINE II													
RLB-D	4.263	3.968	3.968	2.613	4.263	4.125	4.263	2.750	3.094	4.263	3.369	3.505	44.485
LINE III													
RL-D	.666		3.298	2.613		2.637	4.263		1.8189	2.613		2.772	20.681
RL-Ex	3.597	1.291			2.8755			2.01205			2.8116		12.598
RLB-Ex		3.387			2.8755			2.01205		2.6038			10.959

Notes: Scheduled export quantities are stated in terms of actual orders and should be produced as shown. Domestic production figures are "soft" numbers and do not have to equal exactly the quantities shown. If domestic production deviates significantly from the amounts shown however, shutdown plans may have to be adjusted to maintain a 60/40 inventory balance. The plan is based on only one line running report at a time. To save costs, and prevent inventory imbalances from developing in domestic products. The presence of a hyphen----- indicates that the run will probably extend into the following month.

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## PARK 500

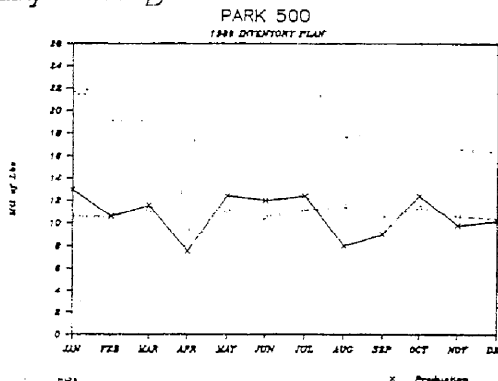
INTER-OFFICE CORRESPONDENCE  
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### *Park 500 1988 - 1992 Operating Plan - 2nd Revised*

#### 1988 Operating Plan - cont'd

In 1988, inventories are reduced slightly due to production shortfalls and the demands of the export marketplace. An additional shut down (2 weeks) is planned in late August.

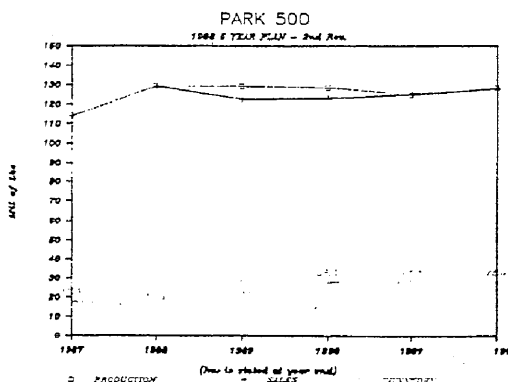


#### Five Year Plan Data - 1987 - 1992

Overall sales for the period have been adjusted up above 1st revised figures by an average of 2-3 mil lbs per year. While direct exports from Park 500 have been revised down by 1 - 2 mil lbs per year, increases in cigarette usage (exports) and export filler and blended strips have more than offset these losses.

	Year					
	1987	1988	1989	1990	1991	1992
	Actual					
Days	326.1	323.5	323.5	321.5	312.0	321.5
Production	114.1	129.4	129.4	128.6	124.8	128.6
Usage - Cigs	77.8	82.7	82.8	84.8	86.5	87.9
Export	24.7	37.8	29.8	29.8	29.8	29.8
Ex Blended Strip	10.5	7.8	8.9	5.8	5.3	8.2
Cut Filler	.7	.7	.9	2.7	3.6	1.9
Total Usage	113.7	129.1	122.3	123.1	125.1	128.0
Inventory	17.9	15.4	22.4	28.0	27.7	28.4
Months Duration	1.7	1.5	2.2	2.7	2.7	2.7

The chart at right reflects the fact that Park 500 production plans will provide for "catching up" in 1989 and 1990. Once the proper inventory levels (approx 2.5 mos.) have been attained, production levels will be reduced slightly in 1991.



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