Prime Time
International Company

December 7, 2009

Dear Shareholder:

As we previously reported to you, our country is in the most serious financial crisis most of us have experienced in our lifetimes. Nationally, this crisis, which results from a perfect storm of negative events, has affected all of us in a number of ways. The Company has been experiencing a decline in sales due to the 2,400% increase in Federal excise taxes on little cigars effective April 1, 2009. Since then several other events have negatively impacted our business as well.

Congress and President Obama passed the Family Smoking Prevention and Tobacco Control Act (the "FDA Act") in June 2009 giving the Food and Drug Administration (FDA) control over tobacco regulation. While the initial regulations issued by the FDA pertained only to cigarettes and roll-your-own products, there was confusion in the market place over the FDA Act's provision, effective September 22, 2009, outlawing the sale of flavored cigarettes (except menthol). Our Company's continued sale of flavored cigars was temporarily impacted due to regulatory confusion over the scope of the federal ban.

[redacted]

Because of the above regulatory issues and decline in sales due to general economic conditions, management continues to make significant cuts in personnel and operating expenses. Management is also committed to increasing revenues by expanding its tobacco product lines beyond its flavored little cigars. The Company is seeking to expand its tobacco sales internationally to diversify sovereign risk. We are further working to diversify our legislative, tax and regulatory risks by introducing non-tobacco products which will capitalize on our existing distribution channels.

SALES AND MARKETING REPORT

With the passage of the SCHIP tax increase taking effect April 1st, and the FDA ban on flavored cigarettes, taking effect September 22nd, the entire tobacco industry continues to see a decline in sales in the cigarette and OTP categories. Even with the industry taking the largest tax increase in tobacco history and the banning of flavored cigarettes by the FDA, our flavored/non flavored cigar products continue to perform well competitively within the OTP category. [redacted] our Prime Time family of products being in the top 15 in sales according to the 2009 A.C. Nielsen reports. Post-SCHIP economics has forced many chains to limit their offerings to the top 15 selling brands in their OTP sections and we are proud to have our products listed in the top 15, with many west coast states showing the Company's products in the top five in sales.

[redacted]

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[redacted]

Our Smokers Choice brand posted a 13.3% revenue decrease over the prior year. With SCHIP going into effect April 1st, many of our competitors have been switching their brands to "large" and this has created an influx of lower quality products coming into the marketplace at cut rate prices. We are gaining back market share that was lost during the last four months due to this influx of cheap products. We anticipate our sales and market share will grow modestly throughout 2010.

[redacted]

The Single Stick cigarette brand posted a 15.0% revenue increase over the prior year. We are expecting sales to continue to increase temporarily in both Oregon and Washington, [redacted] This is a perfect brand for the consumer that continues to cut back on their consumption due to high cigarette prices. Unfortunately, the FDA Act prohibits the sale of this single packaged product after June, 2010.

International Opportunities

[redacted]

[redacted]

New Tobacco Products

For 2010, we are excited about the launch two new product lines during the first quarter of 2010. Our 1st launch will be a 6oz and 16oz bag of Pipe Tobacco, under the brand name Sparrow™. Pipe tobacco is the fastest growing product in the OTP category and with our packaging and price points this could be a very successful brand for the Company.

Our 2nd launch will be a line extension of our Smokers Choice® brand to include (3) new flavors, bringing the total to (5) flavors under the Smokers Choice name: Cherry, Vanilla, Peach, Strawberry and Grape. This product will undergo a package change and will be called Smokers Choice® Sweets. This gives the Company an opportunity to gain new consumers that are entering the flavored price-value category.

Non-Tobacco Products

[redacted]

UNAUDITED FINANCIAL RESULTS FOR THE TEN MONTHS ENDED OCTOBER 2009

[redacted]

Net Income

BOARD RESIGNATION

LEGISLATIVE, LEGAL AND REGULATORY MATTERS

Federal Regulation

Legislation was passed into law in June 2009 providing the FDA authority over tobacco products. As currently written, the legislation places cigarettes and smokeless tobacco products under immediate jurisdiction of the agency, but requires the agency to pass regulations to include cigar products in its authorization. Under the new law, the Company's Single Stick® singly packaged cigarettes are due to be phased out in June, 2010. While the initial bill pertains only to cigarettes and smokeless products, there was confusion in the market place over a provision in the bill disallowing the sale of flavored cigarettes (except menthol) after September 22, 2009. The FDA announcement banning flavored cigarettes was misinterpreted by a number of state regulators as well as by some of our distributors and retailers who thought the ban applied to flavored cigars as well. The Company worked hard to clear up this confusion, but there was an unavoidable loss of sales in the process. The Company has negotiated provisions in the FDA Act favorable to small tobacco manufacturers.

Canadian Legislation

State Legislation

[redacted]

Litigation

[redacted]

SUMMARY

[redacted]

Despite the slowdown in consumer consumption of tobacco products, we still are encouraged about the addition of new chain stores and distributors that have taken on our products since the April 1st SCHIP tax increase. [redacted]

Thanks again for your patience and understanding during these difficult times. We hope you have a very successful holiday season.

Sincerely,

Jack
John "Jack" T. Wertheim
Chairman of the Board and Chief Executive Officer

Jim
James L. Emery
Executive Vice President and Chief Operating Officer