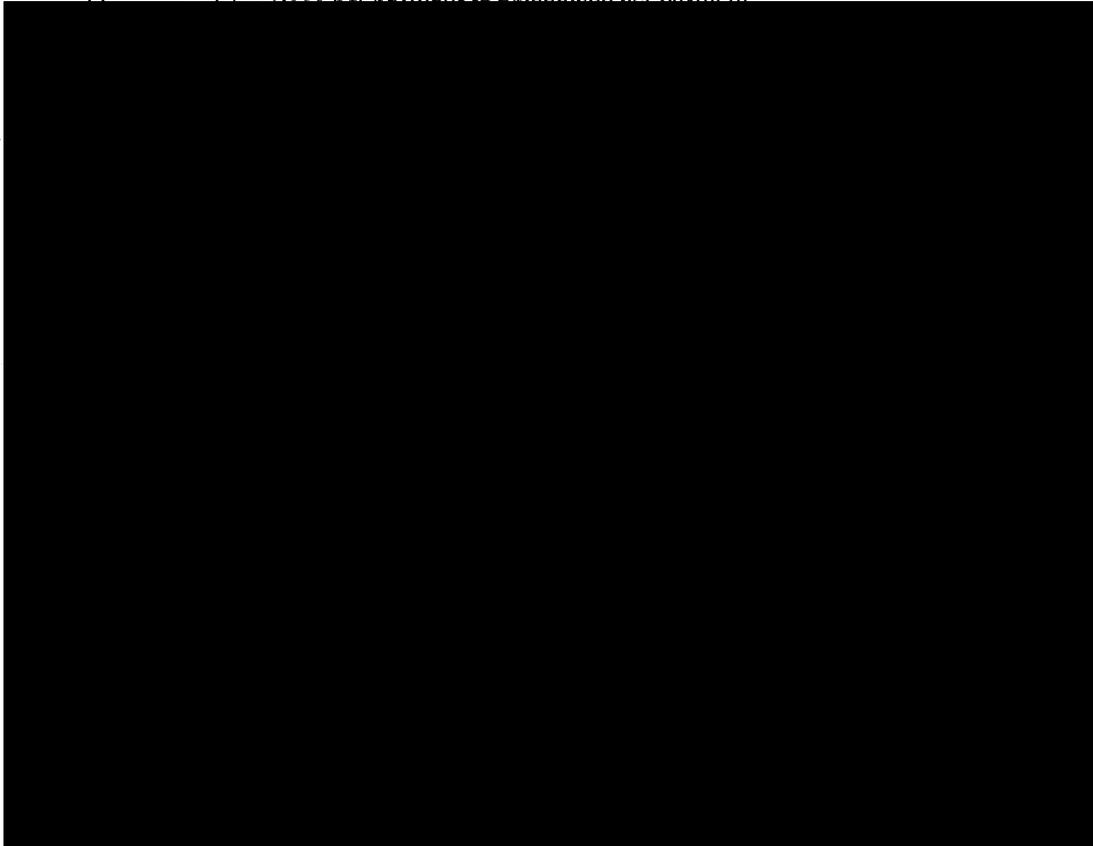


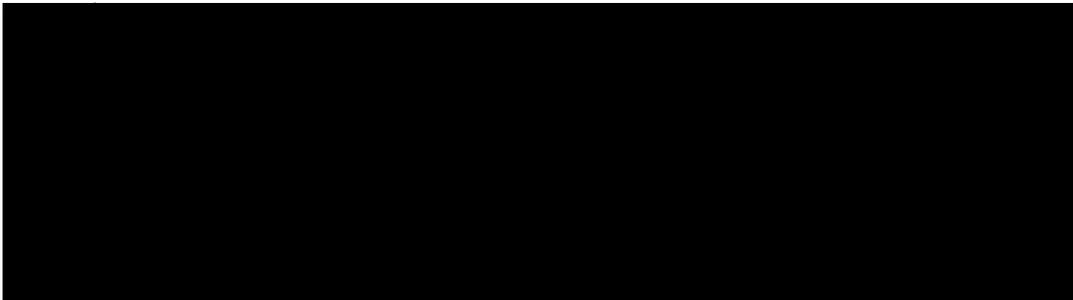
SCHIP Impact on PTIC

1. SCHIP Ramifications

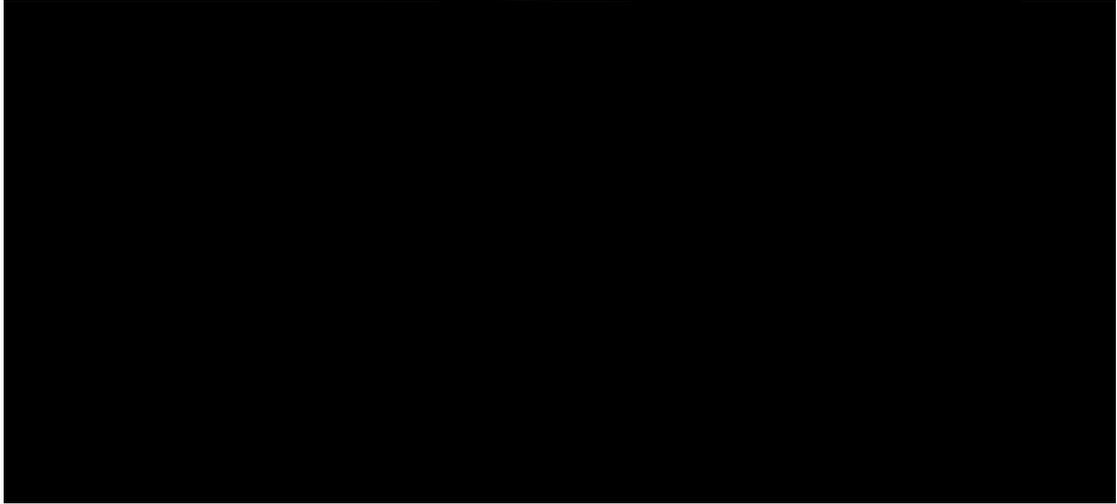
- a. Raised federal excise taxes on little cigars over 2,400% (\$.36 a carton to \$10.00 a carton) and on large cigars from 20.719% (cap 4.875 cents) of wholesale price to 52.75% (cap 40.26 cents).
- b. Impact on Customer for little cigars. Raises price for Federal excise taxes \$.05 per stick, \$.50 per 10-pack and \$1.00 per 20-pack.
- c. Increases Federal excise taxes payable on the 15th and last day of month from approximately \$100,000 per payment to \$1,000,000 per payment



2. Action items taken at PTIC



SCHIP Impact on PTIC



- p. Promote sale of large cigars in certain markets.
- q. Introduce new line of Rillos imported cigars from the Dominican Republic.