

10/28/2009

Obade Candy Co. Inc.

370 South Jefferson St.
Kittanning, PA 16201
(724) 543-1697

STATE TAX ON LITTLE CIGARS & CIGARETTE TAX INCREASE

Dear Valued Cigarette and Cigar Customers,

Effective with all orders for delivery Monday November 2, 2009, the tax on cigarettes will increase from \$13.50 per carton to \$16.00 per carton. In addition a new tax will be placed on all "Little Cigars" and "Large Filtered" Cigars.

Pennsylvania defines "Little Cigars" as those weighing 4lbs or less per 1000 cigars. We are instructed to stamp all Cigars that are packed in packages of 20 like cigarettes and assume they are taxable. The tax is the same as cigarettes. Sometime in December, the department of revenue will provide us with a list of taxable cigars. At that time we may find there are more taxable cigars.

Retailers are responsible for a FLOOR STOCK TAX on all cigarettes and little cigars as defined above that are in your possession as of 12:01AM on November 1, 2009. You should have received forms from the PA DEPT OF REVENUE. The rate will be 25¢ for all PACKS of cigarettes on hand and \$1.60 for all PACKS of little cigars that are packaged in 20s like cigarettes. The tax will be payable on January 29, 2010.

If you do not currently sell cigarettes, but sell cigars, you should contact the Department of Revenue to obtain a license. Cindy Wagner 717-783-9374.

Obade Candy Co. Will be unable to accept returns on Little Cigars until return procedures are provided by the department of revenue.

Below is a list of cigars that we will be applying the tax as of November 1, 2009 along with new list pricing. In addition to the tax increase on cigarettes, several manufacturers have raised prices. The new pricing that will include mfg increases and the tax increase will follow shortly.

DESCRIPTION	PK	New Retail	Old Retail	Retail Unit Change	New List	Old List	Ctn Cost Change
Deans LARGE LIL Cigars	10\20	\$2.89	\$1.19	\$1.70	\$26.55	\$10.50	\$16.05
Smoker's Choice LARGE LIL Cigars	10\20	\$2.99	\$1.35	\$1.64	\$27.80	\$11.75	\$16.05
Smokin Joe's LARGE LIL Cigars	10\20	\$2.99	\$1.35	\$1.64	\$27.80	\$11.65	\$16.15
Smokin Joe's LARGE LIL Vanilla Cigars	10\20	\$2.99	\$1.35	\$1.64	\$27.80	\$11.65	\$16.15
Blackstone LARGE LIL Cigars	10\20	\$3.19	\$1.49	\$1.70	\$29.30	\$13.30	\$16.00
King Ed LARGE LIL Cigars	10\20	\$3.19	\$1.49	\$1.70	\$29.30	\$13.30	\$16.00
Santa Fe LARGE LIL Cigars	10\20	\$3.19	\$1.49	\$1.70	\$29.30	\$13.30	\$16.00
Phillies Little Cigars	10\20	\$4.39	\$2.70	\$1.69	\$37.64	\$21.55	\$16.09
Swisher Sweet Little Cigars	10\20	\$4.69	\$2.99	\$1.70	\$42.10	\$26.10	\$16.00
Captain Black Little Cigars	10\20	\$5.39	\$3.77	\$1.62	\$48.50	\$32.49	\$16.01
Winchester Little Cigars	10\20	\$5.39	\$3.77	\$1.62	\$48.50	\$32.49	\$16.01

Thank you for your patients as this has been a confusing issue due to the short period of time between the passing of the tax law and the required compliance. If you have any questions please feel free to call me at 724-543-1697.

Sincerely,
John Nasser