

# RYO TOBACCO UPDATE

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## TWO TIER TOBACCO PRICING

We believe that what is now known as pipe tobacco is going to be more narrowly defined by the Treasury Department and won't be acceptable for use to make cigarettes. We do not know if and when this is going to happen. The Treasury Department solicited public comment on this matter and the public comment period ended September 20, 2010.

Because of this, we are recommending that you establish alternative tobacco in your store units. The tobacco we recommend for this is called strip tobacco or processed tobacco.

This tobacco is not classified as a tobacco product. Smokers have to shred this tobacco to make a tobacco product. They have a personal exemption from taxation when they use this tobacco to make a tobacco product and then cigarettes.

We recommend that you establish your carton and pack cigarette prices using shredded tobacco product. We then recommend that you establish a second pricing tier at about \$5 a carton, and .50 cents a pack cheaper. This will allow some of your customers to use and become familiar with this tobacco.

If the tax or product definition of pipe tobacco as it is now known changes your customers will already be familiar with strip tobacco and how to use it. If the redefinition happens you can raise your strip tobacco to the current level of pipe tobacco.



Use all natural tobacco leaves  
to make your own cigarettes.

**UNLIMITED WARRANTY  
WHEN SMOKERS USE OUR  
TOBACCO IN THE MACHINE**

**\$120**

Smokers can use the Mark One  
Tobacco Shredder to shred tobacco  
leaves for use in the Fresh Choice  
Electric Cigarette Machine.

