



THE SF ADVANTAGE  
RICH REWARDS FOR RETAILERS

March 7, 2007

Alcohol and Tobacco Tax and  
Trade Bureau  
Regulations and Rulings Division  
1310 G Street, NW  
Suite 200-E  
Washington, DC 20220

Attn: Ms. Linda Wade Chapman

Re: Notice No. 65/Tax Classification of Cigars and Cigarettes

Dear Ms. Chapman:

I am writing as the President of Smoker Friendly International and The Cigarette Store Corp. Combined the companies operate the largest independent cigarette-tobacco store retail operation in the U.S. with more than 300 cigarette-tobacco retail stores in 28 states.

Notice 65 has the potential to seriously affect our consumer cigar business. Based on the comments submitted by John Middleton, Inc. on January 18, 2007, the proposed rule will reclassify pipe tobacco cigars as cigarettes requiring they carry a cigarette warning and taxed accordingly. This reclassification is inappropriate and the rule needs to be changed to clearly reflect that John Middleton pipe tobacco cigar brands are sold as cigars and purchased by our cigar customers, not our cigarette customers.

John Middleton pipe tobacco cigars cannot be confused in any way with cigarettes. They have the unique aroma and flavor that one expects when smoking a pipe. They are large cigars that have a tobacco colored wrapper with a pipe tobacco filler. The smoking experience, taste and smell of a pipe tobacco cigar are similar to smoking a pipe. Pipe tobacco cigars simply cannot be confused with cigarettes.

In reviewing the proposed rule we are very concerned that the rule, if implemented as proposed, will improperly reclassify a large number of the legitimate cigar products as cigarettes. Pipe tobacco cigar sales are a significant portion of the overall cigar segment in our stores and under the proposed rule this product, which represents 25% of the total large cigar market, will be reclassified and taxed as a cigarette. We believe this will result in the loss of that entire segment of our business. Pipe tobacco cigar customers

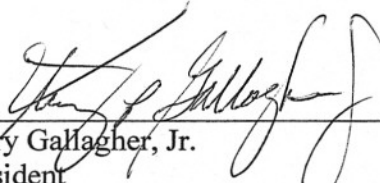


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simply will not pay the added federal and state taxes resulting from the proposed reclassification. This consumer IS NOT a cigarette smoker looking for a less expensive substitute!!

We urge TTB to amend its proposal to properly classify a pipe tobacco cigar as a cigar and not a cigarette.

Respectfully Submitted,



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Terry Gallagher, Jr.  
President  
Smoker Friendly International  
303-442-2520 ext. 216