

JR CIGAR

J•R Tobacco of America, Inc.
2589 Eric Lane • Burlington, NC 27215

Call 1-800-JR-CIGAR® (1-800-574-4427)

M-F 8am - 9pm EST, S-S 9am - 5pm EST
Fax Orders: 1-800-4-JR-FAXX (1-800-457-3299)

Customer Service:
1-800-JR-HELP-ME (1-800-574-3576)
www.jrcigars.com Customer Service:
1-888-574-3576
M-F 9am - 5pm EST

PRSR STD.
U.S. Postage Paid
JR Tobacco of
America, Inc.

Current Resident or:



*****AUTO**SCH 5-DIGIT 92780
6367497 120 227
KELLY'S MEN'S STORE
330 EL CAMINO REAL
TUSTIN CA 92780-3606

Catalog expires September 30, 2010. This catalog supersedes all previous catalogs. Cigars in this catalog are not intended for or marketed to anyone under the age of 18 (or 19 in AK, AL, NJ, and UT). © J•R Tobacco of America, Inc. 2010

10% OFF

ALL UNITS OF CERTIFIED VINTAGE CIGARS

Where else can you
legitimately find 20-year-old
cigars at prices like these?

Other manufacturers talk
about their tobacco that
has been aging for decades
yet they never seem to run
out of it. Here at J•R, we
bought every vintage cigar
we could find and now, we
can tell you without a doubt,
the supply of cigars with
tobacco aged for this
long is running out.



JR CIGAR

2010 #5



UNCLE SAM WANTS

First it was a 52% Federal Tax on every cigar...

**Now Congress has passed FDA Regulation
of the Tobacco Industry, and the PACT Act,
which limits the variety of Tobacco Items we
are permitted to ship to YOU.**

How many times have you seen the words "Big Tobacco" in the news? Well, let me tell you people something: RJ Reynolds, Phillip Morris, Lorillard, etc., are not "Big Tobacco"... Uncle Sam and every State and Local Taxing Authority are "Big Tobacco" because 90 percent (yes, you read that correctly NINETY PERCENT) of the money collected on the sale of tobacco is TAX! Our Nation's first and foremost export during the Colonial Era was Tobacco, in fact, in earlier times, Tobacco was a form of Currency throughout North America and was used to pay for anything and everything.

J•R and other cigar retailers, like J•R, are being taxed out of business as the cost of the products we sell escalates to unimaginable heights due to taxation. In addition, thousands of workers in Central America and the Caribbean have been left jobless due to the resulting decline in consumption as smokers are increasingly restricted in terms of where they can light up their favorite cigar, or the cost of the products they buy.

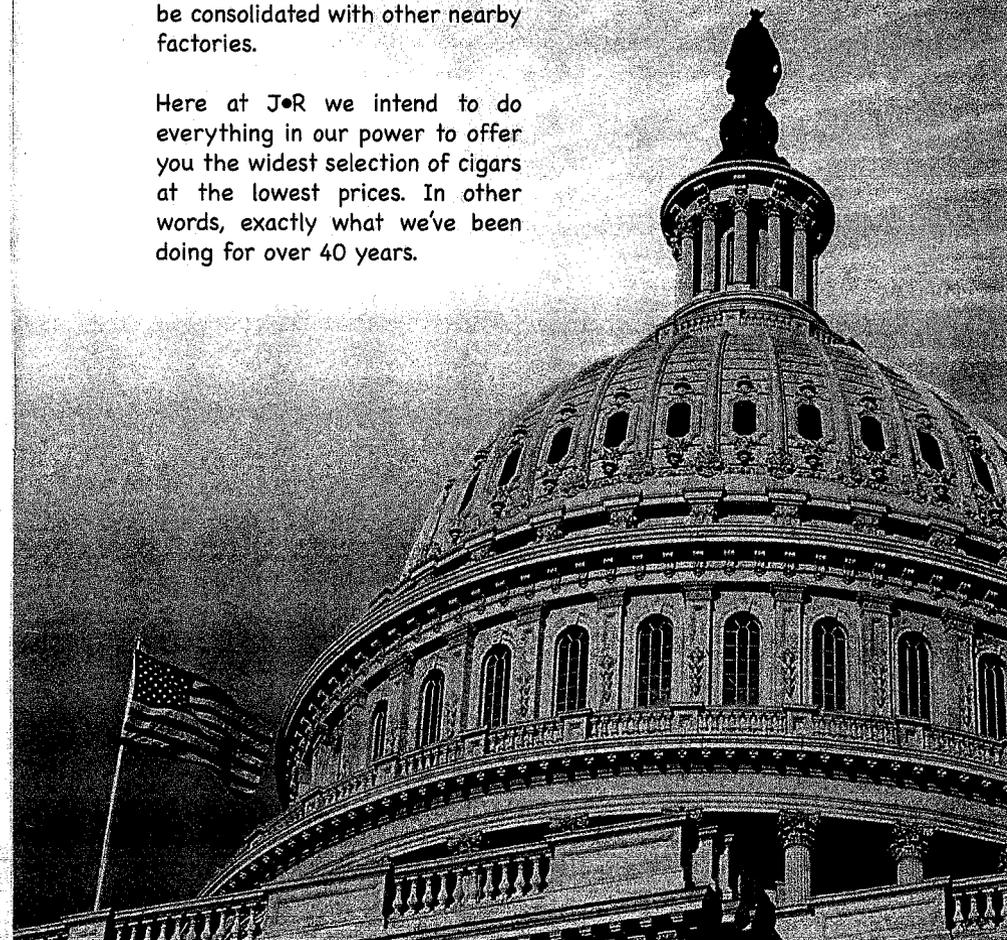
Due to the recently passed PACT Act (Prevent All Cigarette Traffic) we have been forced to discontinue the sale of hundreds and hundreds of products EVEN THOUGH WE DO NOT SELL CIGARETTES! This travesty seems to happen every time the Government gets involved in another business they don't understand but pretend to be experts at (think about Freddie Mac, Fannie May, Medicare, Education, Foreign Aid, Foreign Relations... even foreigners crossing our borders.) You name the Government program and there are a thousand highly qualified people in the private sector who will tell you how ineffective everything politicians do is and how much pork barrel legislation and juicy, but junky, programs are being financed by Uncle Sam.

This catalog is a list of most of the items J•R is still permitted to ship to customers in the U.S.A.

As time goes on, the Federal Drug Administration will no doubt seek to expand its authority to our beloved Cigar Industry. The good news (if you want to call it that) is that the FDA will have its hands full for what we believe will be years, trying to oversee the Cigarette and Smokeless Industry which probably accounts for 98% of all the Tobacco Products used in this country anyway. I guess sometimes its okay to be part of a small insignificant industry that nobody cares about (except you and me).

As you thumb through this pricelist it is important to understand that fully half the items listed will cease to exist within the coming year. That is not because they are unworthy of your attention, its simply due to the mounting social and financial pressure on this industry which will force manufacturers to scale back the number of different products they offer, and in some cases, the factories themselves may close or be consolidated with other nearby factories.

Here at J•R we intend to do everything in our power to offer you the widest selection of cigars at the lowest prices. In other words, exactly what we've been doing for over 40 years.



ORIGINAL

Altadis U.S.A. Inc.

Maker of Fine Cigars

5900 N. ANDREWS AVE. FT. LAUDERDALE, FL 33309-2369

INVOICE

SHIP TO

KELLY'S MEN'S STORE
330 EL CAMINO REAL

TUSTIN CA 92780

BILL TO

KELLY'S MEN'S STORE
330 EL CAMINO REAL

TUSTIN CA 92780

PLEASE REFER TO THESE WHEN REMITTING

INVOICE

| | | |
|--------------------------------|-----------------|------------|
| NUMBER | PAGE | DATE |
| HA00602665 | 2 | 04/27/09 |
| ACCOUNT NUMBER | SHIP # | CLASS CODE |
| 308331 | - 0000 | 30 |
| CUSTOMER PURCHASE ORDER NUMBER | | |
| AL72987 | | |
| DATE ORDER RECEIVED | | |
| 04/26/09 | | |
| OUR ORDER NUMBER | SHIPMENT NUMBER | |
| 1137368 | 1 | |

LR Q ET 91-245756

SALES REPRESENTATIVE

ANDERSON, P.

FL 33619

SHIPPED VIA: UNITED PARCEL SERVICE

SHIPPED FROM: TAMPA

CUSTOMER SERVICE TEL 800-237-2043 FAX 800-962-7552

| DESCRIPTION | UOM OF QUANTITY | ORDERED | | SHIPPED | | B = BO, C = CANCELLED O = FUTURE, H = CR HOLD | | PRICE | PER | EXTENDED PRICE |
|---|-----------------|---------|----------|---------|----------------|--|----------------|----------|------|----------------|
| | | CASES | QUANTITY | CASES | QUANTITY/UNITS | CASES | QUANTITY/UNITS | | | |
| H2 PERF BP MAD 54X5 1/2 BX 25 | UNIT | | 25 | | | | 25 | | UNIT | |
| H2 ROBUSTO 52X5 BX 25 | UNIT | | 25 | | | 1 | | 62.50 | UNIT | 62.50 |
| CA OTP TAX | | | | | | | | | | 28.21 |
| TEAMO WORLD SELECTION SERIES | | | | | | | | | | |
| DOM BLEND ROBUSTO 54X5 BX 15 | UNIT | | 15 | | | 1 | | 31.87 | UNIT | 31.87 |
| CA OTP TAX | | | | | | | | | | 14.38 |
| DOM BLEND TORO 54X6 BX 15 | UNIT | | 15 | | | 1 | | 33.75 | UNIT | 33.75 |
| CA OTP TAX | | | | | | | | | | 15.23 |
| HOND BLEND CHURCHIL 54X7 BX 15 | UNIT | | 15 | | | 1 | | 35.63 | UNIT | 35.63 |
| CA OTP TAX | | | | | | | | | | 15.08 |
| HOND BLEND ROBUSTO 54X5 BX 15 | UNIT | | 15 | | | 1 | | 31.87 | UNIT | 31.87 |
| CA OTP TAX | | | | | | | | | | 14.38 |
| NICA BLEND CHURCHIL 54X7 BX 15 | UNIT | | 15 | | | 1 | | 35.63 | UNIT | 35.63 |
| CA OTP TAX | | | | | | | | | | 16.08 |
| SHIPPING / HANDLING CHARGE | | | | | | | | | | 24.80 |
| ALTADIS USA MUST COLLECT AND REMIT THE CALIFORNIA OTP TAX AT 45.1300% FOR | | | | | | | | \$373.13 | | |

NO RETURN MERCHANDISE ACCEPTED WITHOUT OUR OFFICIAL AUTHORIZATION. THE TOBACCO PRODUCTS DESCRIBED HEREIN ARE SOLD WITHOUT PAYMENT OF STATE OR LOCAL TAXES UNLESS SUCH TAXES ARE SEPARATELY STATED ON INVOICE.

PAYMENT TERMS
NET 30 DAYS

CALIFORNIA LICENSE # LM ET 90-000009

PLEASE REMIT TO
P. O. BOX 932985
ATLANTA, GA 31193-2985

INVOICE TOTAL \$1,224.71 DUE 05/27/09

ALL SHIPMENTS FOB: OUR FACTORY AT CONSIGNEE RISK. NO CLAIMS CONSIDERED UNLESS MADE WITHIN FIVE DAYS OF RECEIPTS OF GOODS.

May 11, 2010

The Honorable Mrs. Michelle Steel
27520 Hawthorne Blvd., #270
Palos Verdes, CA 90274

RE: Republican Party Candidate Statement / BOE District 3

The Honorable Mrs. Michelle Steel,

I would like to introduce myself again, I am a small business merchant from Tustin, CA my name is John F. Kelly. As a former elected City Councilman of the City of Tustin, I too, as your statement indicates, champion the rights of small business owners in my own community.

As you may recall, we had a conversation on May 5, 2010, wherein we discussed a series of tax inequities and unjustified tax implementations within the BOE preview. This selective enforcement of the State's Tobacco Excise Tax is not fair for California merchants or Tax Payers. To restate the facts germane to our conversation, one man's company, J. R. Cigar from North Carolina sells more premium grade cigars than all other licensee vendors and merchants in California and pays no Excise Tax and no State Sales Tax. This clearly creates an unequal business advantage and clearly violates the intention of the State's Tobacco Excise Tax. J. R. Cigar, an out of state raider, does not render any tax revenue, pays no excise tax, creates no jobs in California, pays no property taxes, and is given a 47% excise tax business advantage over California merchants and a 8.75% sales tax advantage over merchants from our Orange County, why? Clearly, this is not the intention of the architects/drafters of the California Tobacco Excise Tax, nor the proper application of the State's Sales Tax provisions. Mrs. Steel your office is charged with collecting fairly, the taxes that are appropriate, both Excise and Sales Tax, but is failing to collect an appropriate amount from this out of state mail order merchants and their customers. One wonders if the true intention of the California Tobacco Excise Tax is to eliminate the local Mom and Pop retailers and small business merchants from Orange County and the State. The inequality of not collecting the appropriate Sales Tax and Tobacco Excise Tax from all who sell in California begs the question is the BOE being fair? As a California elected official, your district office and other district offices throughout California are failing to collect properly as much as 55.75 %, the combination of the taxes due from premium cigar products that are purchase and being overlooked by BOE District offices throughout California.

This out of state business advantage cannot be tolerated and should not be allowed to continue in its present course and safe haven. No other industry in California would tolerate this enormous burden and tax injustice being forced upon California merchants. California is in desperate need for its entitled appropriate tax revenue, Tobacco Excise Tax and State Sales Tax. To quote from your candidate statement, "No tax payer should be treated like this". In reading further in your candidate statement, you write that you are a supporter of tax fairness and an advocate of small business, but your enforcement of

the Tobacco Excise Tax is not supported by your actions and statement. I realize you are not the author/architect/drafter of the Tobacco Excise Tax, but the BOE is the authorized collection agency empowered to collect and implement this tax please do a better job of making sure California receives what it is entitled to. The California Tobacco Excise Tax is a burden on the Merchants of California. Why do out of state Merchants get such a break?

J. R. Cigar from North Carolina should not be given any financial advantage over all California merchants in a similar field of merchandise. J. R. Cigar has argued that they owe neither Sales Tax nor Tobacco Excise Tax because they are exempt and have no "Nexus" in California. J. R. Cigar's argument is shallow and untrue. J. R. Cigars markets in catalogs and promotes on the web in California and clearly sells large volumes in our State. J. R. Cigar expects its customers to buy, does not obligate their California customers to pay and compute both Tobacco Excise Tax and Sales Tax required, which is not being done by their customers properly in most cases. The BOE must improve its collection efforts by either enforcing the true spirit of the Tobacco Excise Tax and placing the burden upon the out of State Merchants of collecting from the California buyers, which is difficult or not practical and not working because of lack of disclosure from the out of State Sellers. The California buyer's of out of state cigars are failing to pay the TAXES DUE and the BOE is allowing this to be standard policy which is unfair and not supported by the law.

I would appreciate a written response of these questions and concerns I have raised. As the election draws near I hope that your candidate statement can be adhered to and would expect your support of the small business merchants, voters, and taxpayers of district 3. The lost revenue is needed in California and the Tax Payers require fairness and demand collection by your office.

I can be reached by calling 714-731-1385 should you have any question.

Sincerely,

S/ John F. Kelly

John F. Kelly

cc Governor, Arnold Schwarzenegger
LA Times
OC Register
San Diego Union



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

PROPERTY AND SPECIAL TAXES DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0088
916-552-8637 • FAX 916-323-3204
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

MICHELLE STEEL
Third District, Rolling Hills Estates

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

BARBARA ALBY
Acting Member
Second District, Sacramento

RAMON J. HIRSIG
Executive Director

August 18, 2010

Mr. John F. Kelly
Kelly's Tux Shop
330 El Camino Real
Tustin, CA 92780

Dear Mr. Kelly:

This is in response to your May 11, 2010, letter to Board Member, Third District, Michelle Steel regarding an out-of-state business selling tobacco products into the state of California. Thank you for your concern and for providing us with information about J.R. Cigar from North Carolina.

As background, cigarette and tobacco products taxes are imposed upon the distribution of the products in California. Cigarette and Tobacco Products Tax Law section 30008 defines "distribution" as follows:

30008. Distribution. "Distribution" includes:

- (a) The sale of untaxed cigarettes or tobacco products in this state.
- (b) The use or consumption of untaxed cigarettes or tobacco products in this state.
- (c) The placing in this state of untaxed cigarettes or tobacco products in a vending machine or in retail stock for the purpose of selling the cigarettes or tobacco products to consumers.

Cigarette and tobacco product distributors who make "distributions" of cigarettes or tobacco products must be licensed to conduct these transactions and the excise tax is imposed on their distribution of tobacco products in this state. Since J.R. Cigar passes title to the products it sells outside California upon shipment of these items from its out-of-state warehouses, J.R. Cigar does not, under present law, make taxable distributions in California.

As you may know, all retail sales of tangible personal property in this state and all purchases of property for use in this state are subject to either the sales tax or the use tax, unless the property or type of transaction is specifically exempt by statute. The sales tax is imposed upon the retailer for the privilege of selling tangible personal property in this state. The use tax, which is the same rate as the sales tax, is imposed on the purchaser for the use in this state of tangible personal property. Use tax does not apply if the sales tax is applied to the sale. There is no difference in the two tax rates, but rather, the distinction lies in the party liable for the tax. In the transactions you've described in this case, it appears that the use tax is applicable.

Out of state retailers engaged in business in California are required to register with the Board and collect use tax from their sales or leases of tangible personal property to California customers. Under Revenue and Taxation Code (RTC) section 6203 (copy enclosed), a "retailer engaged in business in this state" means and includes any of the following:

- 1) "Any retailer maintaining, occupying, or using, permanently or temporarily, directly or indirectly, or through a subsidiary, or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business.
- 2) Any retailer having any representative, agent, salesperson, canvasser, independent contractor, or solicitor operating in this state under the authority of the retailer or its subsidiary for the purpose of selling, delivering, installing, assembling, or the taking of orders for any tangible personal property.
- 3) As respects a lease, any retailer deriving rentals from a lease of tangible personal property situated in this state."

The United States Constitution restricts states from imposing taxes on interstate commerce; requiring a business to be "engaged in business" (commonly referred to as having "nexus") for a state to impose any sales or use tax collection obligation on them. Based upon the information available, it does not appear that J. R. Cigar is engaged in business in California; therefore, we cannot hold them liable for the collection of use tax.

In sum, based on our review of the information you have provided and other information available to us, J.R. Cigar located in North Carolina, does not make sales in this state of a kind or nature that would require them to become licensed as a tobacco products distributor nor are they required to register with the BOE to collect sales or use tax.

However, the BOE does receive and/or obtain purchase information regarding deliveries of tobacco products and other tangible personal property shipped to California consumers from known out-of-state suppliers. This information is used to pursue tax payments that may be owed by the purchaser/consumer.

Again, I want to thank you for your thoughts and concerns regarding this out-of-state business selling tobacco products into the state of California. I hope this information is helpful to you. If you have any questions or concerns, please call me at 916-552-8637.

Sincerely,



Richard Parrott
Compliance Branch Manager
Special Taxes and Fees Division

RGP:rp

Enclosure

cc: Ms. Lynn Bartolo, Chief, Special Taxes and Fees Division

6203. Collection by retailer.

(a) Except as provided by Sections 6292 and 6293, every retailer engaged in business in this state and making sales of tangible personal property for storage, use, or other consumption in this state, not exempted under Chapter 3.5 (commencing with Section 6271) or Chapter 4 (commencing with Section 6351), shall, at the time of making the sales or, if the storage, use, or other consumption of the tangible personal property is not then taxable hereunder, at the time the storage, use, or other consumption becomes taxable, collect the tax from the purchaser and give to the purchaser a receipt therefor in the manner and form prescribed by the board.

(b) As respects leases constituting sales of tangible personal property, the tax shall be collected from the lessee at the time amounts are paid by the lessee under the lease.

(c) "Retailer engaged in business in this state" as used in this section and Section 6202 means and includes any of the following:

(1) Any retailer maintaining, occupying, or using, permanently or temporarily, directly or indirectly, or through a subsidiary, or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business.

(2) Any retailer having any representative, agent, salesperson, canvasser, independent contractor, or solicitor operating in this state under the authority of the retailer or its subsidiary for the purpose of selling, delivering, installing, assembling, or the taking of orders for any tangible personal property.

(3) As respects a lease, any retailer deriving rentals from a lease of tangible personal property situated in this state.

(4) (A) Any retailer soliciting orders for tangible personal property by mail if the solicitations are substantial and recurring and if the retailer benefits from any banking, financing, debt collection, telecommunication, or marketing activities occurring in this state or benefits from the location in this state of authorized installation, servicing, or repair facilities.

(B) This paragraph shall become operative upon the enactment of any congressional act that authorizes states to compel the collection of state sales and use taxes by out-of-state retailers.

(5) Notwithstanding Section 7262, a retailer specified in paragraph (4) above, and not specified in paragraph (1), (2), or (3) above, is a "retailer engaged in business in this state" for the purposes of this part and Part 1.5 (commencing with Section 7200) only.

(d)

(1) For purposes of this section, "engaged in business in this state" does not include the taking of orders from customers in this state through a computer telecommunications network located in this state which is not directly or indirectly owned by the retailer when

SMOKESHOP

THE ORIGINAL, INDEPENDENT VOICE OF TOBACCO RETAILING

Lockwood Trade Journal Co., Inc.
26 Broadway, Floor 9M
New York, NY 10004-1703
Tel: (212) 391-2060
Fax: (212) 827-0945
info@smokeshopmag.com
www.smokeshopmag.com

Sept. 2, 2010

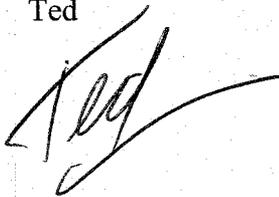
John:

I've also included the original Altadis press release on the JR CIGAR acquisition, as well as relevant pages from the 2009 Imperial Tobacco Annual Report. Imperial Tobacco now owns Altadis, and in 2008 it purchased the remaining minority share of JR CIGAR.

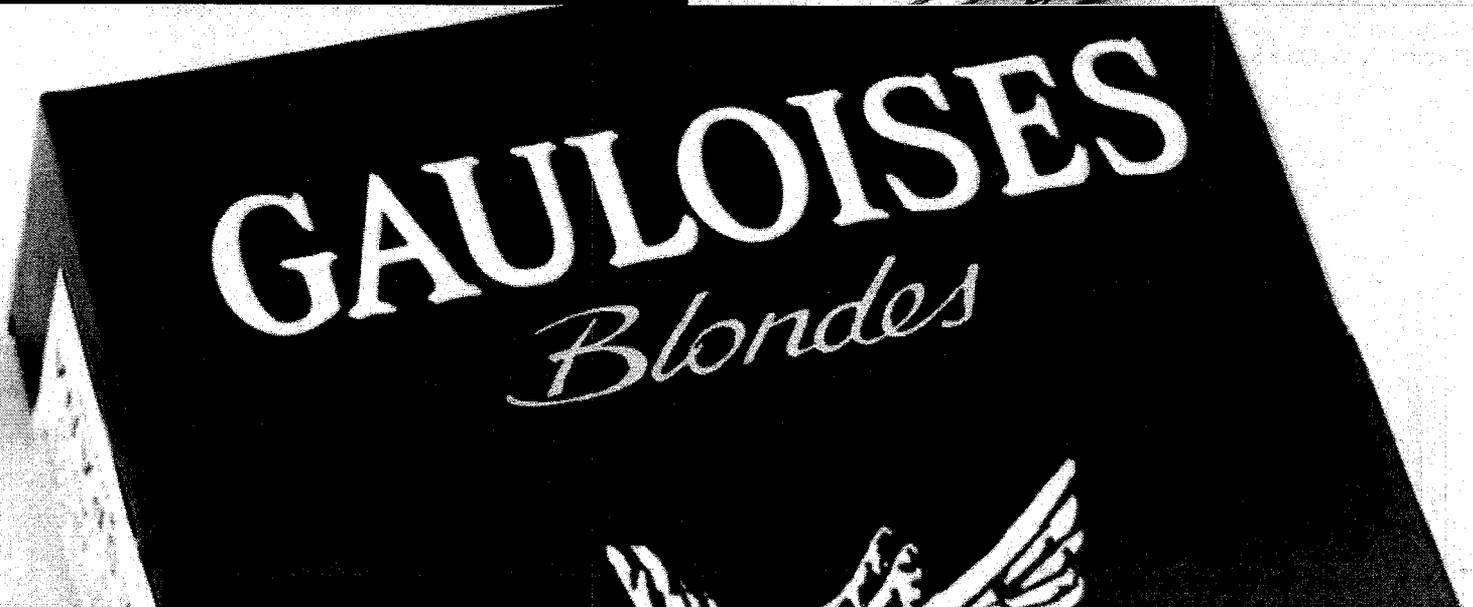
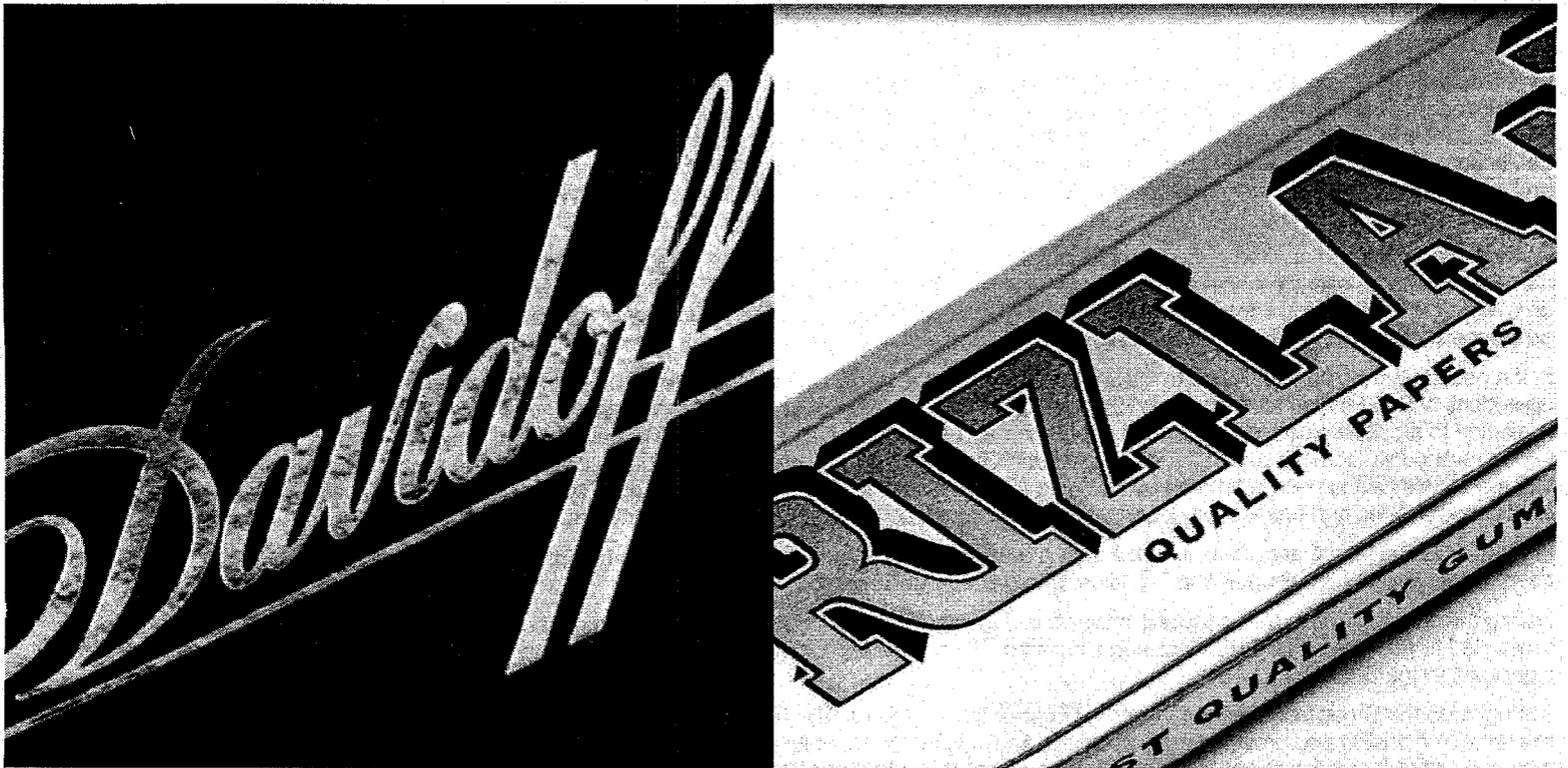
Best of luck in your efforts!

Regards,

Ted

A handwritten signature in black ink, appearing to read "Ted", with a long horizontal flourish extending to the right.

DELIVERING SUSTAINABLE GROWTH



23 Minority Interests

| In £s million | 2009 | 2008 |
|--|------|-------|
| At 1 October | 49 | 23 |
| Exchange movements | 6 | 29 |
| Acquisition of Altadis | - | 413 |
| Purchase of Logista minority interest | - | (420) |
| Profit for the year attributable to minority interests | 14 | 13 |
| Dividends | (12) | (9) |
| At 30 September | 57 | 49 |

24 Acquisitions

2009

On 7 October 2008 the Group paid deferred consideration of US\$81 million (£46 million) to acquire the outstanding 49 per cent minority shareholdings in 800 JR Cigar and MCM Management. The holding was already 100 per cent consolidated as control was obtained in prior periods.

2008

On 25 January 2008 the Spanish Securities Exchange Commission, the Comision Nacional del Mercado de Valores (CNMV), announced that acceptances representing 95.81 per cent of Altadis, S.A.'s share capital had been received and Imperial Tobacco's offer to purchase Altadis had become unconditional. The Group exercised the squeeze-out provision available under Spanish law on 25 January 2008 to compulsorily purchase the remaining shares at the offer price of €50 per share. The squeeze-out was completed on 21 February 2008. As a consequence the acquisition was fully consolidated from 25 January 2008 when the Group obtained control of Altadis.

Through the acquisition of Altadis, the Group acquired direct control of Logista, and pursuant to its obligations under Spanish regulations, the Group made an offer for those shares in Logista not already owned by Altadis. The offer, at a price of €52.50 per share, completed on 6 May 2008, resulting in a total shareholding in Logista of 96.92 per cent. The remainder of the shares were subsequently acquired on 9 June 2008 by using the squeeze-out provision available under Spanish law.

In the period from 25 January 2008 to 30 September 2008, the acquired business contributed revenue of £6,916 million and loss from operations of £153 million after charging £245 million for amortisation of acquired intangibles and after one-off charges of £118 million in relation to stock revalued to fair value at acquisition and sold during the period. If the acquisition had occurred on 1 October 2007, Group revenue would have been £23,602 million and Group profit from operations for the year would have amounted to £1,212 million, these amounts having been estimated by including Altadis' results for the four months prior to acquisition adjusted to reflect the Group's accounting policies and changes in depreciation and amortisation due to fair value adjustments.

In May 2008, the Group acquired Lignum 2 Inc., a seller of quality discount cigarettes in the United States, for a total of £11 million cash. Its net assets had nil book and fair value, giving rise to goodwill of £11 million.

During the year the Group also acquired interests in a number of small businesses. The aggregate consideration for these acquisitions amounted to £3 million. Full IFRS disclosures have not been provided for these small acquisitions as they are not considered to be significant to the Group as a whole.

During 2005 the Group acquired a 43 per cent interest in Skruf Snus AB. The acquisition agreement included a commitment to acquire the remaining shares and provided the Group with immediate control of its operating and financial policies. Accordingly the acquisition was accounted for as a 100 per cent subsidiary to reflect the substance of the transaction. In June 2008 the Group acquired the remaining 57 per cent for a consideration of £39 million. This amount exceeded the £10 million contingent consideration originally booked by £29 million, which has been recorded as goodwill. No further consideration is payable to the former shareholders.

Incorporated overseas continued

| | |
|---|---|
| Tobaccor S.A.S., France | Holding investments in subsidiary companies involved in the manufacture, marketing and sale of tobacco products in Africa |
| Tobacna Ljubljana d.o.o, Slovenia | Marketing and sale of tobacco products in Slovenia |
| Van Nelle Canada Limited, Canada | Manufacture of tubes and sale of tobacco products in Canada |
| Van Nelle Tabak Nederland B.V., the Netherlands | Manufacture, marketing and sale of tobacco products in the Netherlands |
| 800 JR Cigar Inc., United States of America | Holding investments in subsidiary companies involved in the sale of cigars in the United States of America |

Incorporated overseas, partly owned

| Name and country of incorporation | Principal activity | Percentage owned ¹ |
|---|--|-------------------------------|
| Altadis Polska, S.A., Poland | Manufacture of tobacco products in Poland | 99.97 |
| ZAO Balkanskaya Zvezda, Russia | Manufacture of tobacco products in Russia | 99.9 |
| Imperial Tobacco Production Ukraine, Ukraine | Manufacture of cigarettes in Ukraine | 99.8 |
| Reemtsma Kyrgyzstan OJSC, Kyrgyzstan | Manufacture, marketing and sale of tobacco products in Kyrgyzstan | 98.6 |
| Société Ivoirienne des Tabacs S.A. ² , Ivory Coast | Manufacture, marketing and sale of tobacco products in the Ivory Coast | 74.1 |
| Imperial Tobacco TKS a.d., Macedonia | Manufacture, marketing and sale of tobacco products in Macedonia | 99.1 |

Incorporated overseas, joint ventures

| Name and country of incorporation | Principal activity | Percentage owned ¹ |
|-----------------------------------|--|-------------------------------|
| Altabana S.L., Spain | Holding investments in subsidiary companies involved in the marketing and sale of Cuban cigars | 50.0 |
| Corporación Habanos, S.A., Cuba | Export of cigars manufactured in Cuba | 50.0 |

In addition, the Group also wholly owns the following partnership:

| Name and country | Principal activity |
|--|---------------------------------|
| Imperial Tobacco (EFKA) GmbH & Co. KG, Germany | Manufacture of tubes in Germany |
| Principal place of business: Industriestrasse 6, Postfach 1257, D-78636 Trossingen, Germany | |

The subsidiaries listed above were held throughout the year with the exception of 800 JR Cigar Inc., the remaining 49 per cent of which was acquired in October 2008.

The consolidated Group financial statements include all the subsidiary undertakings and entities shown above. With the exception of Imperial Tobacco Holdings (2007) Limited, which is wholly owned by the Company, none of the shares in the subsidiaries is held by the Company. A full list of subsidiaries is attached to the Annual Return of the Company.

1 The percentage of issued share capital held by immediate parent and the effective voting rights of the Group are the same, with the exception of Altadis USA Inc., and Imperial Tobacco Italia Srl where the entire issued share capital, and therefore 100 per cent of the voting rights, are held by a number of Group companies.

2 Listed on the Stock Exchange of the Ivory Coast.



Altadis news archive

10 October 2003

Altadis acquires a leading cigar distribution company in the United States

Madrid-Paris, October 10th, 2003

Tabacalera Cigars International S. A., a 100% subsidiary of Altadis S.A. has acquired a controlling interest in 800 JR CIGAR, Inc. The parties have entered into a put and call option agreement for the purchase of the remaining shares to be exercised after five years. The purchase price for such shares will be based on the financial performance of the company during the last eight quarters prior to the exercise of the put or call.

800 JR CIGAR, Inc., is the largest wholesaler and retailer of premium cigars in the USA market. The company's main business is the distribution of cigars through its catalogs, three outlet centers in North Carolina and eight retail stores concentrated in the Northeast United States. In calendar year 2002, the company reported total economic sales of 62 million dollars. Altadis anticipates that the acquisition will be accretive to earnings beginning in the first year.

Lewis Rothman, founder of the company, will continue as President and Chief Executive Officer.

With this investment Altadis group joins with a leading distributor to further develop distribution channels for cigars in the USA market.

© 2010 Imperial Tobacco Group PLC



Supplementary Information

Principal Subsidiaries

The principal wholly owned subsidiaries of the Group, all of which are unlisted, are shown below.

Registered in England and Wales

| Name | Principal activity |
|---|---|
| Imperial Tobacco Limited* | Manufacture, marketing and sale of tobacco products in the UK |
| Imperial Tobacco Finance PLC* | Finance company |
| Imperial Tobacco Holdings (2007) Limited* | Holding investments in subsidiary companies |
| Imperial Tobacco International Limited* | Export and marketing of tobacco products |
| Imperial Tobacco Overseas Holdings (3) Limited* | Holding investments in subsidiary companies |

Incorporated overseas

| Name and country of incorporation | Principal activity |
|--|--|
| Altadis S.A., Spain | Manufacture, marketing, sale and distribution of tobacco products in Spain |
| Altadis Distribution France S.A.S., France | Distribution of tobacco products in France |
| Altadis Financial Services, S.N.C. ¹ , France | Finance company |

| Name and country of incorporation | Principal activity |
|--|---|
| Altadis Finland Oy, Finland | Marketing and sale of tobacco products in Finland |
| Altadis Maroc, S.A., Morocco | Manufacture, marketing, sale and distribution of tobacco products in Morocco |
| Altadis Middle East Fzco., United Arab Emirates | Marketing and sale of tobacco products in the Middle East |
| Altadis USA Inc. ¹ , United States of America | Manufacture, marketing and sale of cigars in the United States of America |
| Commonwealth Brands Inc.*, United States of America | Manufacture, marketing and sale of tobacco products in the United States of America |
| Compañía de Distribución Integral Logista, S.A., Spain | Distribution of tobacco products and related services in Spain |
| Dunkerquoise des Blends S.A.*, France | Tobacco processing in France |
| Ets. L. Lacroix Fils N.V.*, Belgium | Manufacture, marketing and sale of tobacco products in Belgium |
| Imperial Tobacco (Asia) Pte. Ltd.*, Singapore | Marketing and sale of tobacco products in South East Asia |
| Imperial Tobacco Australia Limited*, Australia | Marketing and sale of tobacco products in Australia |
| Imperial Tobacco CR s.r.o.*, Czech Republic | Marketing and sale of tobacco products in the Czech Republic |
| Imperial Tobacco Hellas S.A.*, Greece | Marketing and sale of tobacco products in Greece |
| Imperial Tobacco Italy Srl*, Italy | Marketing of tobacco products in Italy |
| Imperial Tobacco Magyarország Dohányforgalmazó Kft*, Hungary | Marketing and sale of tobacco products in Hungary |
| Imperial Tobacco Mullingar*, Republic of Ireland | Manufacture of fine cut tobacco in the Republic of Ireland |
| Imperial Tobacco New Zealand Limited*, New Zealand | Manufacture, marketing and sale of tobacco products in New Zealand |
| Imperial Tobacco Norway A.S.*, Norway | Marketing and sale of tobacco products in Norway |
| Imperial Tobacco Overseas B.V.*, the Netherlands | Finance company |
| Imperial Tobacco Polska S.A.*, Poland | Manufacture, marketing and sale of tobacco products in Poland |

| Name and country of incorporation | Principal activity |
|--|---|
| Imperial Tobacco Sigara ve Tutunculuck Sanayi ve Ticaret A.S.*, Turkey | Marketing and sale of tobacco products in Turkey |
| Imperial Tobacco Slovakia A.S.*, Slovak Republic | Manufacture, marketing and sale of tobacco products in the Slovak Republic |
| Imperial Tobacco Tutun Urunleri Satis ve Pazarlama A.S.*, Turkey | Manufacture of tobacco products in Turkey |
| Imperial Tobacco Ukraine*, Ukraine | Marketing and sale of tobacco products in Ukraine |
| John Player & Sons Limited*, Republic of Ireland | Marketing and sale of tobacco products in the Republic of Ireland |
| John Player S.A.*, Spain | Marketing and sale of tobacco products in Spain |
| Logista Italia. S.p.A, Italy | Distribution of tobacco products in Italy |
| Reemtsma Cigarettenfabriken GmbH*, Germany | Manufacture, marketing and sale of tobacco products in Germany and export of tobacco products |
| Reemtsma International Asia Services Limited*, China | Marketing of tobacco products in China |
| OOO Reemtsma Volga Tabakfabrik*, Russia | Manufacture of tobacco products in Russia |
| Imperial Tobacco Sales & Marketing LLC*, Russia | Marketing and sale of tobacco products in Russia |
| Skruf Snus AB*, Sweden | Manufacture, marketing and sale of tobacco products in Sweden |
| Société Allumetiére Française S.A.S, France | Distribution of wholesale in France |
| Société Nationalé d'Exploitation Industrielle des Tabacs et des Allumettes S.A, France | Manufacture, marketing and sale of tobacco products in France and export of tobacco products |
| Supergroup S.A.S, France | Distribution of wholesale in France |
| Tobaccor S.A.S.*, France | Holding investments in subsidiary companies involved in the manufacture, marketing and sale of tobacco products in Africa |
| Van Nelle Canada Limited*, Canada | Manufacture of tubes and sale of tobacco products in Canada |
| Van Nelle Tabak Nederland B.V.*, the Netherlands | Manufacture, marketing and sale of tobacco products in the Netherlands |

The subsidiaries marked * are wholly owned and were held throughout the year with the exception of Skruf Snus AB of which the remaining

57% was acquired in June 2008 and Imperial Tobacco Polska S.A. of which the remaining 0.1% was acquired in July 2008

The remaining wholly owned subsidiaries were acquired through the acquisition of Altadis on 25 January 2008 with the exception of Compañía de Distribución Integral Logista, S.A., of which 59.63% was acquired with Altadis, 37.29% acquired on 6 May 2008 and 3.08% acquired on 9 June 2008, and which wholly owns Logista Italia. S.p.A.

The principal partly owned subsidiaries of the Group, with the exception of Altadis Polska, S.A., ZAO Balkanskaya Zvezda and 800 JR Cigar Inc. which were acquired with Altadis, were held throughout the year, are shown below. All are unlisted unless otherwise indicated.

| Name and country of incorporation | Principal activity | Percentage owned ¹ |
|---|--|-------------------------------|
| Altadis Polska, S.A., Poland | Manufacture of tobacco products in Poland | 96.4 |
| ZAO Balkanskaya Zvezda, Russia | Manufacture of tobacco products in Russia | 99.9 |
| Imperial Tobacco Production Ukraine, Ukraine | Manufacture of cigarettes in Ukraine | 99.8 |
| 800 JR Cigar Inc., United States of America | Holding investments in subsidiary companies | 51.0 |
| Reemtsma Kyrgyzstan OJSC, Kyrgyzstan | Manufacture, marketing and sale of tobacco products in Kyrgyzstan | 98.6 |
| Société Ivoirienne des Tabacs S.A. ² , Ivory Coast | Manufacture, marketing and sale of tobacco products in the Ivory Coast | 74.1 |
| Tutunski Kombinat AD, Macedonia | Manufacture, marketing and sale of tobacco products in Macedonia | 99.1 |

The principal joint ventures of the Group, acquired on 25 January 2008 through the acquisition of Altadis, are shown below. They are unlisted.

| Name and country of incorporation | Principal activity | Percentage owned ¹ |
|-----------------------------------|--|-------------------------------|
| Corporación Habanos, S.A., Cuba | Export of cigars manufactured in Cuba | 50.0 |
| Altabana S.L., Spain | Holding investments in subsidiary companies involved in the marketing and sale of Cuban cigars | 50.0 |

In addition, the Group also wholly owns the following partnership:

| Name and country | Principal activity |
|--|---------------------------------|
| Imperial Tobacco (EFKA) GmbH & Co. KG, Germany | Manufacture of tubes in Germany |
| Principal place of business: Industriestrasse 6, Postfach 1257, D-78636 Trossingen, Germany | |

The consolidated Group financial statements include all the subsidiary undertakings and entities shown above. With the exception of Imperial Tobacco Holdings (2007) Limited, which is wholly owned by the Company, none of the shares in the subsidiaries is held by the Company. A full list of subsidiaries is attached to the Annual Return of the Company.

1. The percentage of issued share capital held by immediate parent and the effective voting rights of the Group are the same, with the exception of Altadis USA Inc., and Altadis Financial Services S.N.C. where the entire issued share capital, and therefore 100% of the voting rights, was held by a number of Group companies. From late September 2008 Altadis Financial Services S.N.C. is 100% owned by Altadis S.A.
2. Listed on the Stock Exchange of the Ivory Coast.

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Industry NEWS

PRODUCTION, DISTRIBUTION, REGULATION, TRADE

Altadis Purchases Leading U.S. Cigar Retailer, Distributor JR Cigar

WHIPPANY, N.J.—Tabacalera Cigars International S.A., a 100% subsidiary of the Spanish-French tobacco conglomerate Altadis S.A., has acquired a controlling interest in 800 JR Cigar, Inc. to further develop its distribution channels for cigars in the U.S. market.

The parties have also entered into a "put and call" option agreement for the purchase of the remaining shares to be exercised after five years. The purchase price for those shares will be based on the financial perfor-

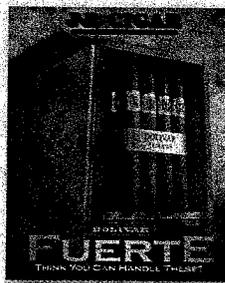
mance of the company during the last eight quarters prior to the exercise of the put or call.

800 JR Cigar, Inc. is the largest wholesaler and retailer of premium cigars in the U.S. market. The company's main business is the distribution of cigars through its catalogs, three outlet centers in North Carolina, and eight retail stores concentrated in the Northeast U.S. Wholesale

operations are conducted by the company's Santa Clara Inc. unit.

In calendar year 2002, the company reported total economic sales of \$62 million dollars. Altadis anticipates that the acquisition will be accretive to earnings beginning in the first year.

Lew Rothman, founder of the company, will continue as president and chief executive officer.



Moore & Bode Sues P Diddy Over Cigar Secrets

MIAMI—Boutique cigar maker Moore & Bode Cigars has filed a lawsuit against Sean "P. Diddy" Combs seeking at least \$15,000 in damages for unauthorized filming of its Miami cigar factory.

The lawsuit claims the company's "unique method of rolling the cigars" was taped for the "Shake Your Tailfeather" video while the owners were out, after the videographer was told to leave and without company permission. Moore & Bode, founded in 1990, is operated by Sharon Moore and her husband, Roberto Bode and produces the Miami and Flamboyán brands.

New Internationally-Focused Image for Agio

DUIZEL, NETHERLANDS — Dutch cigar maker Agio Sigarenfabriek N.V. has changed its name to Agio Cigars. The family-owned cigar company produces Mehari's, Panter, and Balmoral brands.

The company cited its international focus and the importance of export markets for the change, for which an English name fits better than the original Dutch one. Founded in 1904 in Duizel,



The Netherlands, Agio Cigars operates production facilities in The Netherlands, Belgium, Sri Lanka, and the Dominican Republic. The company exports to over 100 countries selling almost 700 million cigars world-wide.

As part of the name change, Agio Cigars also rolled out new corporate identity — an updated logo portraying two branches of tobacco leaves illustrating the tobacco industry. The coloring was changed from blue to brown and gold, to better fit with the products Agio manufactures and markets, and to mark the 100th anniversary Agio will celebrate next year.

Bits&Pieces

■ What is a socially acceptable homeopathic smoking substitute? The answer, according to California-based QT 5, Inc., is NicoWater — yes, nicotine infused agua. The latest nicotine-enabled, non-tobacco product is available in leading drug stores, not to mention Rothmans Steakhouse in Manhattan (still? bubbly? nicotine?) Not intended to help smokers quit, NicoWater hydrates while answering smokers' tobacco cravings in an increasingly smoker-hostile world. All without bothering the chap sitting next to you.



■ The E.U. ban on the use of the terms "lights" and "mild" on cigarette packs has forced manufacturers to adopt new naming conventions: many settling on color coding. Lucky Strike variants are now known as Red and Silver; Rothmans has been relabelled Blue, Red, and Gold for the various tobacco strengths, while Camel now comes in Refined or Smooth. Marlboro is dropping all terminology and replacing it with... nothing, relying consumer familiarity with its packaging.

Bloomberg

Altadis Buys Majority Stake in 800-JR Cigars of U.S. (Update1)

Oct 11, 2003

Oct. 11 (Bloomberg) -- Altadis SA, the maker of Gauloises and Gitanes cigarettes, bought a majority stake in 800-JR Cigar Inc., the world's largest distributor of fine cigars, as the company tries to expand in the market for pricier tobacco products.

Tabacalera Cigars International SA, the unit of Altadis that made the acquisition, will have the option to buy the remaining shares after five years, the company said in a faxed statement. The price paid and exact holding weren't disclosed.

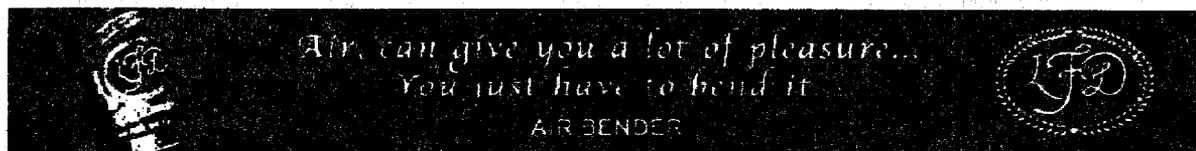
The purchase is to "further develop distribution channels for cigars in the U.S. market," Altadis, which is based in Paris and Madrid, said in the statement. The purchase will be "accretive to earnings" in the first year after completion, it said.

Cigarette makers are trying to boost profit by buying other companies and shutting plants as tobacco consumption declines in Western Europe. Altadis, Europe's third-largest tobacco company, said in July that it plans to reduce its staff by about 6 percent and close six plants in an effort to reduce costs.

Altadis agreed in June to purchase Morocco's monopoly tobacco distributor. The company was in July outbid by British American Tobacco Plc for Ente Tabacchi Italiani SpA, or Eti, Italy's state-owned tobacco company.

Aneta Lazarevic, a spokeswoman in Paris for Altadis, said she had no additional information on the purchase of the stake the company bought in 800-JR, which is based in Whippany, New Jersey.

Altadis already has a unit in the U.S., a market where cigar sales rose 8.4 last year and accounted for 60 percent of the company's cigar revenue. 800-JR sells cigars through catalogues, three factory outlets and eight stores, according to Altadis. It had sales of \$62 million last year.



Aug 26, 2010

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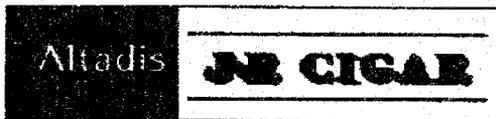
Home > What's New > Altadis Buys Control of JR Cigars

Altadis Buys Control of JR Cigars

Posted: Friday, October 10, 2003

By *David Savona*

The world's largest cigar company just got bigger. Spanish-based Altadis S.A. has acquired



a controlling interest in 800 JR Cigar Inc., America's largest cigar retailer. The move will give the Spanish/French cigarmaker unprecedented access to American cigar smokers.

JR, the juggernaut of cigar retailers, sells all types of cigars via its web site, catalog and retail stores. JR owns three outlet centers in North Carolina and eight other retail stores, including one in midtown Manhattan. The Whippany, New Jersey company was owned by Lew Rothman and his family. Rothman will continue to serve as president and chief executive officer of JR.

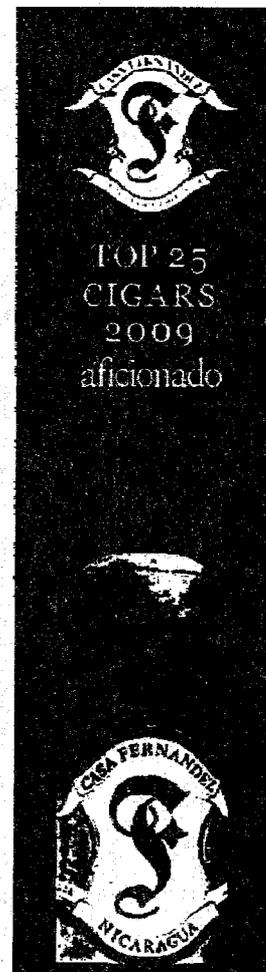
Rothman could not be reached for comment.

Altadis did not disclose the terms of the acquisition, or the current sales of JR. In the release, it said JR had "total economic sales" of \$62 million, a figure that is smaller than total revenues. Industry estimates for JR's annual revenues run in excess of \$250 million.

JR enjoyed tremendous success in the late 1990s, and enjoyed sales growth despite the end of the cigar boom: revenues increased from \$240 million in 1997 to \$287 million in 1998 and to \$317 million in 1999. The company had gross profits of \$50 million, \$53 million and \$55 million, respectively, in those three years, while the company was publicly held.

JR went public in 1997, joining several other companies in feeding Wall Street's short love affair with cigar stocks. Shares flirted with \$40 in late 1997, but had fallen below \$10 by 1998. In September 2000, the Rothman family took the company private in a \$13 per share cash tender offer, a \$23.4 million deal.

Altadis, which has headquarters in Madrid and Paris, made the



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acquisition through subsidiary Tabacalera Cigars International S. A. The company expects the acquisition to help earnings in the first year.

Altadis U.S.A. Inc., formerly known as Consolidated Cigar Corp., is the American subsidiary of Altadis. Based in Fort Lauderdale, it owns the American rights to a host of Cuban cigar brands. The company's Tabacalera de Garcia Ltd. makes a host of leading handmade cigar brands for the American market, including the venerable Dominican Montecristo, H. Upmann and Romeo y Julieta cigars. Altadis U.S.A. also makes some of the largest machine-made brands in America, including Dutch Masters, El Producto, Backwoods and Phillies.

In 2002, Altadis S.A. claimed nearly 25 percent of the world market for cigars, and sold about 3.2 billion units. It has 20,000 employees and activities in nearly 35 countries. The company makes cigars by hand and machine, makes blonde and dark cigarettes, and owns half of Habanos S.A., the Havana company that exports all of Cuba's cigars.

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