

POSSIBLE EXCISE TAX INCREASE

There is a possibility of an increase in the Federal Excise Tax, ~~some time in 1989.~~ The increase, estimated at an additional 80¢ per carton (now at \$1.60 per carton), could occur in late 1989 or early 1990.

In anticipation of any increase in prices or taxes, our distributors normally purchase heavy quantities. Should this trend occur, we feel our 1989 sales will show little adverse effect and may even benefit from the heavier buying, in the event of an October tax increase. It would be difficult to predict the long-range effect of such a tax increase on Industry sales.

S.M. 1989

A.T. - Marketing

A.T. CO.

PRODUCTS INTRODUCED IN 1988 AND PLANNED FOR 1989

1988

MALIBU Kings	National Introduction	(Second Quarter)
AMERICAN Lights	National Introduction	(Third Quarter)
AMERICAN Filters	Test Markets	(Fourth Quarter)

1989 (Scheduled)

AMERICAN Filters	National Introduction	(First Quarter)
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PALL MALL Red Lights	To be determined
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MISTY	To be determined
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PINNACLE	To be determined
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Many other new products are currently under development, but it would be premature to go into them at this time.

S. M. 1989

A.T. - Marketing

PREMIER

The Product

Premier resembles a regular cigarette with two significant changes. First, a carbon-based heating element is implanted in the end of the cigarette tube which is lit by the consumer. Second, a capsule containing tobacco flavor and nicotine is suspended in the cigarette tobacco near its midsection.

The cigarette is lit and consumed generally in the same manner as current regular brands however, only the element is ignited. The heat from the element warms the tobacco and flavor capsules, thereby delivering taste and nicotine. Premier does not burn and, therefore neither shortens nor produces an ash. It is consumed for the same length of time as present cigarettes.

Test Markets

R. J. Reynolds introduced Premier into Phoenix, Tucson, and St. Louis in October, 1988. The introduction was supported by very heavy trade, promotion, and advertising spending. Support ~~has~~ continued ^{through February 1989.} into 1989. X

Results To Date

Premier was discontinued in March 1989. Although initial trade and consumer response was positive, ~~however,~~ product did not live up to claims/expectations and ~~current~~ sales ^{became} virtually non-existent.

~~was also~~ There ~~has been~~ considerable controversy over Premier coming from anti-smoking groups.

S.M. 1989
ATCo. Sales