each outstanding share of MC Group Common Stock (other than shares held by Mafco Consolidated Holdings) will be converted into the right to receive $33.50 in cash, subject to upward adjustment (the "Merger Consideration"). Additionally, on February 20, 1997, in connection with the 1997 Merger Agreement, MC Group declared a special cash dividend of $10 per share which was paid on March 14, 1997 to stockholders of record as of the close of business on March 10, 1997 In addition, pursuant to the 1997 Merger Agreement the Company has agreed to make cash payments aggregating $38.8 in respect of outstanding stock options.

The Merger Consideration shall be equal to the sum of (x) $33.50 plus
(y) an amount, if any (the "Additional Amount"), equal to the Excess (as defined below) multiplied by 79 7%. The Additional Amount shall be payable only if the average of the per share closing prices (the "Average") of Cigar Common Stock on the New York Stock Exchange for the ten trading days ending two trading days prior to the effectiveness of the Merger, exceeds $33.00 (the amount by which the Average exceeds $33 00, the "Excess") MC Group stockholders will be entitled to receive the Merger Consideration in cash, without interest, upon surrender of the certificate formerly representing shares

of Cigar Common Stock.

The 1997 Merger Agreement has been unanimously approved by the Boards of Directors of each company and, in the case of MC Group, by a special committee of independent directors formed to consider the transaction The consummation of the transaction is subject to the approval of MC Group stockholders, the filing with and review by the Securities and Exchange Commission of an information statement to be sent to Mafco stockholders, and other customary conditions Mafco Consolidated Holdings, which owns approximately 85% of the outstanding shares of MC Group common stock, has agreed to vote in favor of the transaction, which is expected to close during the second quarter of 1997.

In January 1997, six purported class-action lawsuits and one purported derivative and class- action lawsuit were filed in the Delaware Court of Chancery (the "Chancery Court"), under the captions Alan R. Kahn v. Ronald O Perelman, et al , C.A. No. 15450; Sandy Rywell v. Ronald O. Perelman, et al., C A. No 15468, Crandon Capital Partners v. Ronald O. Perelman, et al , C A No 15469, Harry Voege v Ronald O. Perelman, et al., C A No 15470, Harry Polikoff v Mafco Consolidated Group Inc , et al , C A. No. 15471, Sal S. Shiry v Ronald O. Perelman, et al., C A. No. 15475, and Jack Fishbaum v Mafco Consolidated Group Inc., et al , C A No. 15481 (collectively, the "Actions") The Actions allege certain acts allegedly taken or not taken by the Company and the members of the board of directors in connection with the proposed transaction that ultimately culminated in the 1997 Merger Agreement and the price originally proposed to be paid for the Company Common Stock and allege that Andrews Group Incorporated and MC Group's board of directors breached fiduciary obligations to the Company's stockholders by entering into certain transactions with Marvel Entertainment Group, Inc and Toy Biz, Inc. (the "Marvel and Toy Biz Transactions"), which transactions were allegedly corporate opportunities of the Company The Actions seek to enjoin the consummation of the Merger Agreement and the Marvel and Toy Biz Transactions, as well as damages and an award of attorneys' fees On March 17, 1997, the parties to all of the Actions except Fishbaum executed a Memorandum of Understanding setting forth the terms of their agreement in principle to settle these Actions. The Memorandum of Understanding acknowledges the enhanced terms for stockholders set forth in the Merger Agreement and provides that settling plaintiffs may seek up to $1 25 million in attorney's fees The Memorandum of