of the date of grant. The weighted average fair value of Cigar Holdings options granted in 1996 is $16.91 per share. At December 31, 1996 the weighted average exercise price of the Cigar Holdings options outstanding is $23 14 and the weighted average remaining contractual life of those options is 9.75 years

The exercise price of the stock options issued were equal to the market price of the respective companies' stock on the dates of grant, accordingly, no compensation cost has been recognized for stock options issued. Had compensation cost for the stock options issued by the Company and Cigar Holdings been determined based on the fair value at grant date for awards in 1995 and 1996 consistent with the provisions of SFAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,	
	1996	1995
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Net income - as reported	$ 258,648	$ 24,413
Net income - pro forma	250,338	21,063
Income per share - as reported	11 13	1.12
Income per share - pro forma	10.77	0.97

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants under the MC Group Stock Option Plan in 1996 and 1995, respectively. dividend yield of 0.0%; expected volatility of 50.9% and 45.6%; risk-free interest rate of 6.52% and 5 37%, and expected life of 4 years The following weighted-average assumptions were used for grants under the Cigar Stock Option Plan in 1996. dividend yield of 0 0%, expected volatility of 90%; risk-free interest rate of 6.13%; and expected life of 5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options

The Chief Executive Officer of the Company has been granted the right to receive a special payment of up to $5 5 million which is deferred and is dependent upon the overall performance of the Company's Common Stock At December 31, 1996, the Company has accrued the earned and vested portion of the special payment right.
