Understandıng contemplates the drafting and execution of a Stıpulation of Settlement by the partıes and ıts approval by the Chancery Court, whıch approval is expected to occur ın the thırd quarter of 1997

On March 26, 1997, Cıgar Holdıngs completed a publıc offerıng of 5,000,000 shares of the Cıgar Common Stock at an offerıng prıce of $23 75 per share All of the shares sold were owned by MC Group. In addıtıon, the underwriters have been granted an overallotment optıon to purchase an additional 750,000 shares, which as of the date hereof has not been exercısed

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	I
Year ended December 31, 1994			
Deducted from asset accounts:			
Sales allowances	$ 2,734	$ -	$
Allowance for doubtful accounts	1,867	145	
Inventory reserves	514	247	
Totals	$ 5,115	$ 392	$
Year ended December 31, 1995			
Deducted from asset accounts.			
Sales allowances	$ 2,734	$ 650	$
Allowance for doubtful accounts	1,951	206	
Inventory reserves	761	198	
Totals	$ 5,446	$ 1,054	$
Year ended December 31, 1996			
Deducted from asset accounts			
Sales allowances	$ 3,384	$ 1,557	$
Allowance for doubtful accounts	1,967	(634)	
Inventory reserves	822	818	
Totals	$ 6,173	$ 1,741	$

(1) Doubtful accounts wrıtten off, less recoverıes, reclassıfications and foreıgn translatıon adjustment and effects of busınesses sold