

the payment of dividends or distributions by Consolidated Cigar to an amount equal to approximately \$9.3 million as of December 31, 1996.

F-16

MAFCO CONSOLIDATED GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) In connection with the Flavors Disposition, PCT assumed Mafco Worldwide's obligations under the Senior Credit and its 117/8% Senior Subordinated Note indenture. Obligations under the Senior Credit bore interest at November 25, 1996 at approximately 8.20%.

The fair value of the Company's long-term debt at December 31, 1996 is estimated based on the quoted market prices for the same issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of long-term debt was approximately \$3.6 million more than the carrying value of \$97.5 million.

In 1994, the Company recorded an extraordinary loss of \$2.7 million, net of \$1.7 million tax benefit, as a result of the June 1994 refinancing of certain indebtedness. Prepayment premiums, original issue discounts and certain other capitalized costs of the refinanced indebtedness were expensed as such extraordinary loss.

Because judgment is required in interpreting market data to develop estimates of fair value, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies may be material to the estimated fair value amounts.

Consolidated Cigar entered into two five year interest rate swap agreements in an aggregate notional amount of \$85.0 million. Under the terms of the agreements, Consolidated Cigar receives a fixed interest rate averaging 5 4/5% and pays a variable interest rate equal to the six month LIBOR. Consolidated Cigar entered into such agreements to take advantage of the differential between long-term and short-term interest rates and effectively converted the interest rate on \$85.0 million of fixed-rate indebtedness to a variable rate. From inception of the agreements through January 1997 Consolidated Cigar has paid \$0.8 million in settlement, which occurs at the end of each six month period of the agreements. Had Consolidated Cigar terminated these agreements, which the Company considers to be held for other than trading purposes, on January 31, 1997, a combined loss of approximately \$1.1 million would have been realized. Future positive or negative cash flows associated with these agreements will depend upon the trend of short-term interest rates during the remaining life of the agreements. In the event of non-performance of the counterparties at anytime during the remaining lives of these agreements which expire at December 1998 and January 1999, the Company could lose some or all of any future positive cash flows. However, the Company does not anticipate non-performance by such counterparties.

9. INCOME TAXES

Information pertaining to consolidated income from continuing operations before income taxes and extraordinary item and the applicable provision for income taxes, excluding amounts related to discontinued operations and to the extraordinary item, is as follows:

F-17