of opportunities to purchase quality inventory at the lowest possible costs while maintaining its policy of purchasing some licorice root from all available sources to maintain relationships with its suppliers

Capital expenditures were $1 9 million, $2 3 million and $1 9 million for the years ended December 31, 1996, 1995 and 1994, respectively While the Company has not made any significant purchase commitments for capital expenditures, they are planned to be approximately $3 1 million for 1997 In addition, the Company has entered into an agreement to invest in a joint venture in the People's Republic of China totaling $1 3 million in 1997

During 1996, the Company made scheduled amortization payments of its Senior Term Loans of $8 7 million. In addition, in December 1996, the Company prepaid all of its Senior Term Loans totaling $25.1 million The casn used for this prepayment was partially contributed by PCT ($17 0 million), the Company's available cash and borrowings under the revolving credit facility ($7 3 million).

In June 1995, prior to the Abex Merger, the Company paid a $9.0 million dividend to Holdings and in 1996, prior to the acquisition by PCT and the Merger, the Company paid a total of approximately $12 5 million in dividends to Mafco

Under the senior credit agreement as amended in February 1997, the Company may borrow up to $12 5 million under a revolving credit facility At December 31, 1996, approximately $2 3 million of this facility had been reserved to support lender guarantees for outstanding letters of credit Management believes the remaining availability of approximately $2 9 million under the revolving credit facility and cash generated from operations will be sufficient to meet the Company's needs for working capital, capital expenditures and debt service.

TAX MATTERS

In connection with the Abex Merger and the Transfer, Mafco and the Company entered into a tax sharing agreement Under the indemnification provisions of the tax sharing agreement and with respect to periods ending on or prior to June 15, 1995, Mafco will generally be required to pay any tax liabilities of the Company, except for foreign income taxes related to Aerospace At December 31, 1996, the Company had available federal net operating loss carryforwards of approximately $194 0 million, which expire in years 2000 through 2011

The IRS is currently examining the returns for the years 1989, 1990 and 1991 The Company has been notified by the IRS that its 1994 and its short period 1995 return will be examined The amount of net operating loss carryforwards available at December 31, 1996 could be affected by the outcome of this examination.

OTHER

Various legal proceedings, claims and investigations are pending against the Company and PCT, including those relating to commercial transactions, product liability, safety and health matters and other matters. PCT and Pneumo Abex are involved in various stages of legal proceedings, claims, investigations and cleanup relating to environmental or natural resource matters, some of which relate to waste disposal sites. Most of these matters are covered by insurance, subject to deductibles and maximum limits, and by third-party indemnities.

The Company is indemnified by third parties with respect to certain of its contingent liabilities, such as certain environmental and asbestos matters, as