on certain liabilities assumed by the Company in the Merger

Interest and investment income was $6.0 million and $0.2 million in 1995 and 1994, respectively. The increase was primarily due to the investment of assets acquired by the Company in connection with the Abex Transactions in cash equivalents such as repurchase agreements, commercial paper, time deposits and money market investments and dividend income on the PCT Preferred Stock. The Company expects to continue to invest in cash equivalents and marketable securities pending the use of its cash for general corporate purposes, including acquisitions, and pursuant to its share repurchase program.

The provision for income taxes as a percentage of income from continuing operations before income taxes was 29.6% and 31 4% in 1995 and 1994, respectively Income tax expense in 1995 and 1994 reflects provisions for federal income taxes, net of the tax benefit resulting from the utilization of net operating loss carryforwards, along with state income and franchise taxes. In addition, income tax expense includes a provision for foreign taxes, Puerto Rico tollgate taxes and taxes on Puerto Rico source income

Equity in discontinued operations of PCT, net of income taxes, represents the Company's interest in the discontinued operations of PCT.

In 1994, the Company recorded an extraordinary loss of $2.7 million, net of a $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.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by (used in) operating activities were $(358.8) million, $6 1 million and $32 8 million for 1996, 1995 and 1994, respectively. The decrease from 1995 to 1996 primarily reflects the use of the proceeds from the Cigar IPO, Flavors Disposition and existing cash to purchase trading securities partially offset by higher net income, excluding the after-tax effect of the gain on the Cigar IPO and Flavors Disposition. The decrease from 1994 to 1995 primarily reflects an increase in restricted deposits, the payment of liabilities assumed in connection with the Merger and a smaller decrease in inventories partially offset by increased net income.

Cash flows from investing activities in 1996 consists primarily of the proceeds from the Flavors Disposition partially offset by capital expenditures. Cash flows from investing activities in 1995 consist primarily of cash acquired in the Merger partially offset by cash used to finance the purchase of PCT Common Stock from Libra

Capital expenditures were $7.0 million, $3.3 million and $2 7 million for the years ended December 31, 1996, 1995 and 1994, respectively. Capital expenditures in 1995 and 1994 primarily relate to manufacturing equipment and are part of the continual maintenance and upgrading of the Company's manufacturing facilities The capital expenditures in 1996 relate primarily to investments in the Company's manufacturing facilities to meet increased demand for the Company's premium cigars, including expansion of its existing manufacturing facilities in the Dominican Republic and Honduras and construction, as part of a joint venture, of a new facility in Jamaica For 1997, the Company plans to continue expanding its facilities in the Dominican Republic and Honduras as well as add equipment to