environmental laws and regulations

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to lawsuits incidental to its business. The Company believes that the outcome of such pending legal proceedings in the aggregate will not have a material adverse effect on the Company's consolidated financial position The Company carries general liability insurance but has no health hazard policy, which, to the best of the Company's knowledge, is consistent with industry practice There can be no assurance, however, that the Company will not experience material health-related litigation in the future.

In January 1997, six purported class-action lawsuits and one purported derivative and class- action lawsuit were filed in the Delaware Court of Chancery (the "Chancery Court"), under the captions Alan R. Kahn v. Ronald O Perelman, et al , C.A No. 15450, Sandy Rywell v Ronald O Perelman, et al., C A. No. 15468; Crandon Capital Partners v Ronald O Perelman, et al , C.A No. 15469, Harry Voege v. Ronald O. Perelman, et al , C.A No 15470, Harry Polikoff v. Mafco Consolidated Group Inc , et al , C.A No. 15471; Sal S Shiry v Ronald O. Perelman, et al , C A. No 15475, and Jack Fishbaum v Mafco Consolidated Group Inc., et al., C A No 15481 (collectively, the "Actions") The Actions allege certain acts allegedly taken or not taken by the Company and the members of its board of directors in connection with the proposed transaction that ultimately culminated in the 1997 Merger Agreement and the price originally proposed to be paid for the Company Common Stock and allege that Andrews Group Incorporated and MC Group's board of directors breached fiduciary obligations to the Company's stockholders by entering into certain transactions with Marvel Entertainment Group, Inc and Toy Biz, Inc. (the "Marvel and Toy Biz Transactions"), which transactions were allegedly corporate opportunities of the Company. The Actions seek to enjoin the consummation of the Merger Agreement and the Marvel and Toy Biz Transactions, as well as damages and an award of attorneys' fees. On March 17, 1997, the parties to all of the Actions except Fishbaum executed a Memorandum of Understanding setting forth the terms of their agreement in principle to settle these Actions. The Memorandum of Understanding acknowledges the enhanced terms for stockholders set forth in the Merger Agreement and provides that settling plaintiffs may seek up to $1 25 million in attorney's fees The Memorandum of Understanding contemplates the drafting and execution of a Stipulation of Settlement by the parties and its approval by the Chancery Court, which approval is expected to occur in the third quarter of 1997.

In addition, various legal proceedings, claims and investigations are pending against the Company related to commercial transactions, product liability, safety and health matters and other environmental matters, involving Abex's former subsidiaries or their predecessors, including those for which the Company assumed responsibility pursuant to the Abex Transactions See "Business of MC Group -- Contingent and Other Liabilities Related to Abex's Predecessor Business". Most of these matters are related to matters covered by insurance, subject to deductibles and maximum limits, and by third party indemnities. The Company does not believe, based on currently available information, that the outcome of these matters will have material adverse effect on its financial position or results of operations

In connection with the 1997 Koll Agreements, the Company also agreed to assume whatever liability, if any, Koll or certain of its subsidiaries may have with respect to the Pullman Claims Koll also transferred to the Company all of the rights that Koll and such subsidiaries may have against Wheelabrator Technologies Inc , another predecessor of Koll and the Company, with respect to the Pullman Claims As of the date of the Company's assumption of the Pullman Claims, Koll was defending approximately 360 claims that individuals had contracted asbestos-related diseases by reason