(the "Senior Subordinated Notes") at a price of 99.28% of face value. The Senior Subordinated Notes mature on November 15, 2002, and are not subject to redemption through the operation of a sinking fund The Senior Subordinated Notes are subject to redemption at any time after November 15, 1997, at the option of the Company,

in whole or in part, at redemption prices (expressed as percentages of the principal amount) for the 12 month period beginning each November 15 1997-105 95%, 1998-103 96%, 1999-101.98% and 100% thereafter Interest is payable semiannually in May and November. The Indenture relating to the Senior Subordinated Notes contains various restrictive covenants, which include restrictions on the incurrence of additional debt, payments of dividends and transactions with affiliates In addition, upon the occurrence of a change in control whereby any person (as defined in the Indenture) acquires directly or indirectly more than 35% of the total voting power of all classes of the voting stock of the Company, each holder of the Senior Subordinated Notes has the right to require the Company subject to certain restrictions in the Senior Credit, to repurchase the Senior Subordinated Notes at 101% of face value The Senior Subordinated Notes are subordinate in right of payment to the existing Senior Credit and all future senior indebtedness of the Company.

The Company's French subsidiary has an agreement renewable annually with a local bank whereby it may borrow up to six million French francs (approximately $1 2 at December 31, 1996) for working capital purposes At December 31, 1996, no amounts were borrowed and at December 31, 1995, $0 7 was outstanding

8 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade accounts receivable The Company's customers are geographically dispersed, but are concentrated in the tobacco industry Even though seven of the Company's ten largest customers are in the tobacco industry and account for approximately 58% of the Company's net revenues in 1996, the Company historically has had no material losses on its trade accounts receivable from customers in the tobacco industry Probable bad debt losses have been provided for in the allowance for doubtful accounts.

From time to time the Company enters into forward exchange contracts to hedge certain receivables and firm sales commitments denominated in foreign currencies. The effects of movements in currency exchange rates on these instruments are recognized when the related operating revenue is recognized Realized gains and losses on foreign currency contracts are included in the underlying asset or liability being hedged and recognized in earnings when the future sales occur At December 31, 1995, the Company had forward exchange contracts, all having maturities of less than one year, in the amount of $0.4 There were no outstanding contracts as of December 31, 1996.

The fair values of the Company's foreign currency contracts approximate the carrying amounts at December 31, 1995.

The carrying amounts for cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities approximate fair value. The fair value of long term debt was approximately $100 1 at December 31, 1996.