substantially all of Abex's consolidated assets and liabilities, other than those relating to the Aerospace Business, were transferred to a subsidiary of Mafco, with the remainder being retained by the Company The Transfer Agreement provides for appropriate transfer, indemnification and tax sharing arrangements, in a manner consistent with applicable law and existing contractual arrangements

The Transfer Agreement requires such subsidiary of Mafco to undertake certain administrative and funding obligations with respect to certain asbestos claims and other liabilities retained by the Company The Company will be obligated to make reimbursement for the amounts so funded only when amounts are received by the Company under related indemnification and insurance agreements Such administrative and funding obligations would be terminated as to asbestos products claims in the case of bankruptcy of the Company or PCT or of certain other events affecting the availability of coverage for such claims from third party indemnitors and insurers The Transfer Agreement further provides for certain funding indemnification and cooperation arrangements between PCT, the Company and such subsidiary in respect of certain liabilities which may arise under the Employee Retirement Security Act of 1974 in respect of the sale of Pneumo Abex's friction products division in 1995

## *ITEM 2. PROPERTIES*

THE COMPANY'S PRINCIPAL PROPERTIES ARE AS FOLLOWS

| LOCATION | USE | OWNED OR LEASED | APPROXIMATE FLOOR SPACE (SQUARE FEET) |
|---|---|---|---|
| Camden, New Jersey | Licorice manufacturing, warehousing and corporate headquarters | Owned | 390,000 |
| Camden, New Jersey | Warehousing | Leased(a) | 140,000 |
| Gardanne, France | Licorice manufacturing and administration | Owned | 48,900 |
| Richmond, Virginia | Manufacturing and warehousing for non-licorice products | Owned | 45,000 |
| Richmond, Virginia | Manufacturing and administration for non-licorice products | Leased(b) | 65,000 |

(a) Lease expires on March 31, 1998.
(b) Lease expires on October 30, 2001

The Company believes that its facilities are well maintained and are in substantial compliance with environmental law 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 or results of operations The Company carries general liability insurance but has no health hazard policy which, to the best of the Company's knowledge, is consistent with the tobacco industry practice

See Item 1 Business - The Tobacco Industry