and by all of the domestic subsidiaries of Consolidated Cigar. The guarantee by Cigar Holdings will continue to be secured by a pledge of all of the shares of common stock of Consolidated

Cigar owned by Cigar Holdings The Cigar Credit Agreement also contains various restrictive covenants including, among other things, limitations on the ability of Consolidated Cigar and its subsidiaries to incur debt, create liens, pay dividends, sell assets, and make investments, acquisitions and capital expenditures. In addition, the Cigar Credit Agreement requires Consolidated Cigar to maintain specified financial ratios and satisfy certain tests, including maximum leverage ratios and minimum interest coverage ratios. The Cigar Credit Agreement also contains customary events of default and permits Consolidated Cigar to pay dividends and make distributions on terms substantially similar to those contained in the Senior Subordinated Notes Indenture The Cigar Credit Agreement was amended on February 3, 1997 to reduce the amount of various interest rate margins charged against outstanding borrowings. As of December 31, 1996, there was approximately $25.7 million unused and available under the Cigar Credit Agreement, after taking into account approximately $1.7 million utilized to support letters of credit

Restricted cash of $14.6 million and $16 6 million included in other assets at December 31, 1996 and 1995, respectively, reflects segregated cash held for the benefit of certain parties to cover obligations related to certain prior dispositions and certain environmental and insurance matters

On November 25, 1996, the Company sold to a subsidiary of PCT all of the outstanding shares of Flavors Holdings and VSRs for an aggregate consideration of $180 million m cash, the assumption of approximately $110 1 million of indebtedness and deferred cash payments to the Company of $3.7 million payable on June 30, 1997 and $3 5 million payable on December 31, 1997.

On February 20, 1997, Mafco Consolidated Holdings entered into the 1997 Merger Agreement with MC Group whereby Mafco Consolidated Holdings will acquire the remaining 15% of Company Common Stock that it does not already own Pursuant to the 1997 Merger Agreement, each share of Company Common Stock (other than shares held by Mafco Consolidated Holdings) will be converted into the right to receive $33 50, subject to upward adjustment Additionally, on February 20, 1997, in connection with the 1997 Merger Agreement, MC Group declared a special cash dividend of $10 per share which was paid on March 14, 1997 to stockholders of record as of the close of business on March 10, 1997. In addition, pursuant to the 1997 Merger Agreement the Company has agreed to make cash payments aggregating $38 8 million in respect of outstanding stock options

The Merger Consideration shall be equal to the sum of (x) $33 50 plus
(y) an amount, if any (the "Additional Amount"), equal to the Excess (as defined below) multiplied by 79 7% The Additional Amount shall be payable only if the average of the per share closing prices (the "Average") of Cigar Common Stock on the New York Stock Exchange for the ten trading days ending two trading days prior to the effectiveness of the Merger, exceeds $33.00 (the amount by which the Average exceeds $33 00, the "Excess") MC Group stockholders will be entitled to receive the Merger Consideration in cash, without interest, upon surrender of the certificate formerly representing shares of Cigar Common Stock

On March 26, 1997, Cigar Holdings completed a public offering (the "Cigar Secondary Offering") of 5,000,000 shares of the Cigar Common Stock at an offering price of $23.75 per share. All of the shares sold were owned by MC Group. In addition, the underwriters have been granted an overallotment option to purchase an additional 750,000 shares which as of the date hereof has not been exercised