



August 30, 2004

VECTOR GROUP SUBSIDIARIES TO SUE STATE ATTORNEYS GENERAL FOR VIOLATING TERMS OF MASTER SETTLEMENT AGREEMENT

Claim AGs Improperly Provided Favorable Financial Treatment to General Tobacco, Importer of Colombian Cigarettes

MIAMI, FL, August 30, 2004 -- Vector Group Ltd. (NYSE: VGR) announced today that its Liggett Group and Vector Tobacco subsidiaries (the "Vector Group Subsidiaries") have notified the Attorneys General of 46 states that they intend to initiate proceedings against the Attorneys General for violating the terms of the Master Settlement Agreement ("MSA") entered into between the 46 states and tobacco manufacturers in November of 1998. The Vector Group Subsidiaries allege that the Attorneys General extended unauthorized favorable financial terms to Miami-based Vibo Corporation d/b/a General Tobacco when, on August 19, 2004, the Attorneys General entered into agreements with General Tobacco allowing them to become a Subsequent Participating Manufacturer under the MSA (the "General Tobacco Agreements"). General Tobacco imports discount cigarettes manufactured in Colombia, South America.

In the notice sent to the Attorneys General, the Vector Group Subsidiaries indicate that they will seek to enforce the terms of the MSA, void the General Tobacco Agreements and enjoin the Settling States and National Association of Attorneys General from listing General Tobacco as a Participating Manufacturer on their websites.

"While we welcome and encourage non-participating manufacturers, including General Tobacco, to join the MSA, they should join under the agreed-upon terms of the MSA," said Ronald J. Bernstein, President and Chief Executive Officer of Liggett Group. "We are disappointed that the Attorneys General are violating the clear provisions of the MSA in order to provide concessions and benefits to General Tobacco – a tobacco company that has grown from selling 60 million cigarettes in the United States in 2000 to 7.6 billion cigarettes in 2003 by, among other things, as alleged by the Attorneys General, failing to make timely or adequate deposits under state escrow statutes. By granting General Tobacco special treatment, the Attorneys General are depriving their states of funds properly due to them and are providing General Tobacco with an unwarranted and improper benefit."

The Vector Group Subsidiaries claim that the General Tobacco Agreements violate their rights and the MSA by:

- Exempting General Tobacco from annual payment due on April 15, 2005.** Pursuant to the MSA, a Subsequent Participating Manufacturer is required to make on April 15, 2005 its annual payment with respect to all cigarettes it sold in the United States during 2004. The General Tobacco Agreements would allow General Tobacco to exclude all cigarettes it sold in the United States during the first half of 2004 (approximately 4 billion cigarettes) from its April 15, 2005 payment -- a waiver by the settling states of an \$80 million obligation owed by General Tobacco. The General Tobacco Agreements instead would allow General Tobacco to make this payment to the Settling States over a 12-year period, with very little principal being paid during the first several years.
- Failing to require that General Tobacco make back payments within a reasonable period of time.** The MSA requires a new Participating Manufacturer, upon joining the MSA, to make all of its back MSA payments "within a reasonable period of time." The General Tobacco Agreements would allow General Tobacco to make its back MSA payments, which total \$154.7 million, over a back-loaded 12-year period.
- Allowing interest to accrue on payments owed by General Tobacco at a rate lower than provided for in the MSA.** The MSA provides for accrual of interest on past-due payments at the Prime Rate plus 3%, which would currently equate to 7.5%. The General Tobacco Agreements provide for interest to accrue on General Tobacco's past-due payments of approximately \$235 million at a fixed rate of 5% over a 12-year period. The MSA provides neither for a fixed interest rate nor for a rate as low as 5% for such payments.
- Affording credits to General Tobacco for payments made to non-Settling States.** The General Tobacco Agreements provide General Tobacco with credits based on payments that the company may make to states that are not parties to the MSA. There is no provision in the MSA that would provide such credits to a Subsequent Participating Manufacturer.

Vector Group is a holding company that indirectly owns Liggett Group Inc., Vector Tobacco Inc. and a controlling interest in New Valley Corporation. Additional information concerning the company is available on the company's website, www.VectorGroupLtd.com.