Securities And Exchange Commission
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

VECTOR GROUP LTD.

(Exact name of registrant as specified in its charter)

DELAWARE	1-5759	65-0949535
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification No.)

100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
305/579-8000
(Address, including zip code and telephone number, including area code, of the principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
[X] Yes [ ] No

At May 14, 2002, Vector Group Ltd. had 33,257,284 shares of common stock outstanding.

VECTOR GROUP LTD.

FORM 10-Q

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VECTOR GROUP LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	March 31, 2002	December 31, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 175,824	$ 217,761
Investment securities available for sale	174,440	173,697
Accounts receivable - trade	11,597	34,380
Other receivables	4,093	1,234
Inventories	82,304	53,194
Restricted assets	3,204	20,054
Deferred income taxes	5,535	6,294
Other current assets	8,191	9,113
Total current assets	465,188	515,727
Property, plant and equipment, net	122,733	102,185
Long-term investments, net	10,044	10,044
Restricted assets	1,881	1,881
Deferred income taxes	10,417	9,778
Other assets	49,431	49,288
Total assets	$ 659,694	$ 688,903
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Current portion of notes payable and long-term debt	$ 5,818	$ 4,808
Accounts payable	12,301	16,192
Accrued promotional expenses	11,837	20,634
Accrued taxes payable	24,172	33,992
Settlement accruals	31,023	29,299
Deferred income taxes	759	759
Accrued interest	2,998	6,799
Prepetition claims and restructuring accruals	2,693	2,700
Other accrued liabilities	27,287	26,362
Total current liabilities	118,888	141,545
Notes payable, long-term debt and other obligations, less current portion	232,388	214,273
Noncurrent employee benefits	15,205	14,749
Deferred income taxes	133,640	132,528
Other liabilities	11,866	16,294
Minority interests	56,831	56,156
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $1.00 per share, authorized 10,000,000 shares		
Common stock, par value $0.10 per share, authorized 100,000,000 shares, issued 37,649,720 and outstanding 33,257,284	3,325	3,317
Additional paid-in capital	299,192	309,849
Deficit	(194,508)	(182,645)
Accumulated other comprehensive income	1,200	1,170
Less: 4,392,436 shares of common stock in treasury, at cost	(18,333)	(18,333)
Total stockholders' equity	90,876	113,358
Total liabilities and stockholders' equity	$ 659,694	$ 688,903

The accompanying notes are an integral part of the consolidated financial statements.

VECTOR GROUP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Revenues:		
Tobacco*	$ 96,758	$ 75,042
Real estate leasing	424	2,641
Total revenues	97,182	77,683
Expenses:		
Cost of goods sold*	61,002	40,764
Operating, selling, administrative and general expenses	52,039	25,983
Settlement charges	(807)	9,765
Operating (loss) income	(15,052)	1,171
Other income (expenses):		
Interest and dividend income	2,820	2,182
Interest expense	(5,385)	(1,258)
Gain on sale of investments, net	1,321	465
(Loss) gain on sale of assets	(344)	1,492
Other, net	(157)	14
(Loss) income from continuing operations before provision for income taxes and minority interests	(16,797)	4,066
(Benefit) provision for income taxes	(4,262)	2,145
Minority interests	(672)	(706)
(Loss) income from continuing operations	(11,863)	2,627
Discontinued operations:		
Loss from discontinued operations	--	(97)
Net (loss) income	$ (11,863)	$ 2,530
Per basic common share:		
(Loss) income from continuing operations	$ (0.36)	$ 0.10
Loss from discontinued operations	--	(0.01)
Net (loss) income applicable to common shares	$ (0.36)	$ 0.09
Basic weighted average common shares outstanding	33,242,737	26,950,369
Per diluted common share:		
(Loss) income from continuing operations	$ (0.36)	$ 0.08
Loss from discontinued operations	--	--
Net (loss) income applicable to common shares	$ (0.36)	$ 0.08
Diluted weighted average common shares outstanding	33,242,737	31,449,587

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* Revenues and Cost of goods sold include excise taxes of $38,444 and $27,124 for the three months ended March 31, 2002 and 2001, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

VECTOR GROUP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Common Stock		Additional Paid-In		Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Stock	Income	Total
Balance, December 31, 2001	33,171,847	$ 3,317	$ 309,849	$ (182,645)	$ (18,333)	$ 1,170	$ 113,358
Net loss.....	--	--	--	(11,863)	--	--	(11,863)
Unrealized gain on investment securities	--	--	--	--	--	30	30
Total other comprehensive income ...	--	--	--	--	--	--	30
Total comprehensive loss	--	--	--	--	--	--	(11,833)
Distributions on common stock	--	--	(13,289)	--	--	--	(13,289)
Exercise of options.....	85,437	8	1,188	--	--	--	1,196
Tax benefit of options exercised	--	--	525	--	--	--	525
Amortization of deferred compensation, net	--	--	919	--	--	--	919
Balance March 31, 2002	33,257,284	$ 3,325	$ 299,192	$ (194,508)	$ (18,333)	$ 1,200	$ 90,876

The accompanying notes are an integral part
of the consolidated financial statements.

VECTOR GROUP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Net cash used in operating activities:	$ (17,995)	$ (1,541)
Cash flows from investing activities:		
Proceeds from sale of businesses and assets, net	1,822	11,981
Sale or maturity of investment securities	3,040	3,166
Purchase of investment securities	--	(1,761)
Purchase of long-term investments	--	(300)
Purchase of real estate	--	(565)
Increase (decrease) in restricted assets	(6)	2,556
Issuance of note receivable	(2,500)	--
Repayment of note receivable	1,000	--
Payment of prepetition claims	(7)	(2,590)
New Valley purchase of common shares	--	(239)
Capital expenditures	(22,897)	(20,360)
Net cash used in investing activities	(19,548)	(8,112)
Cash flows from financing activities:		
Proceeds from debt	9,158	13,999
Repayments of debt	(1,704)	(10,610)
Borrowings under revolver	141,092	87,016
Repayments on revolver	(141,092)	(106,388)
Decrease in margin loan payable	--	(827)
Decrease in cash overdraft	--	(42)
Distributions on common stock	(13,289)	(10,267)
Proceeds from participating loan	--	2,478
Proceeds from exercise of options and warrants .	1,441	--
Net cash used in financing activities	(4,394)	(24,641)
Net cash used in discontinued operations	--	(3,089)
Net decrease in cash and cash equivalents	(41,937)	(37,383)
Cash and cash equivalents, beginning of period ...	217,761	157,513
Cash and cash equivalents, end of period	$ 175,824	$ 120,130

The accompanying notes are an integral part of the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION:

The consolidated financial statements of Vector Group Ltd. (the "Company" or "Vector") include the accounts of VGR Holding Inc. ("VGR Holding"), Vector Tobacco Inc. ("Vector Tobacco"), Liggett Group Inc. ("Liggett"), New Valley Corporation ("New Valley") and other less significant subsidiaries. The Company owned 56.2% of New Valley's common shares at March 31, 2002. All significant intercompany balances and transactions have been eliminated.

Vector Tobacco is engaged in the development and marketing of new, reduced carcinogen and nicotine-free cigarette products. Liggett is engaged primarily in the manufacture and sale of cigarettes, principally in the United States. New Valley is currently engaged in the real estate business through its New Valley Realty division and is seeking to acquire additional operating companies.

As discussed more thoroughly in Note 7, New Valley's former broker-dealer operations are presented for 2001 as discontinued operations.

On April 1, 2002, a subsidiary of the Company acquired the stock of The Medallion Company, Inc., and related assets from Medallion's principal stockholder. The total purchase price consisted of $50,000 in cash and $60,000 in notes, with the notes guaranteed by the Company and Liggett. Medallion, a discount cigarette manufacturer headquartered in Richmond, Virginia, is a participant in the Master Settlement Agreement ("MSA") between the state Attorneys General and the tobacco industry. Medallion has no payment obligations under the MSA unless its market share exceeds approximately 0.28% of total cigarettes sold in the United States (approximately 1.15 billion units in 2001).

The interim consolidated financial statements of the Company are unaudited and, in the opinion of management, reflect all adjustments necessary (which are normal and recurring) to present fairly the Company's consolidated financial position, results of operations and cash flows. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission. The consolidated results of operations for interim periods should not be regarded as necessarily indicative of the results that may be expected for the entire year.

(b) ESTIMATES AND ASSUMPTIONS:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the

near term include deferred tax assets, allowance for doubtful accounts, promotional accruals, sales returns and allowances, actuarial assumptions of pension plans and litigation and defense costs. Actual results could differ from those estimates.

(c) RECLASSIFICATIONS:

Certain amounts in the 2001 consolidated financial statements have been reclassified to conform to the 2002 presentation.

(d) EARNINGS PER SHARE:

Information concerning the Company's common stock has been adjusted to give effect to the 5% stock dividends paid to Company stockholders on September 28, 2001. In connection with the 5% dividend, the Company increased the number of warrants and stock options by 5% and reduced the exercise prices accordingly. All share amounts have been presented as if the stock dividends had occurred on January 1, 2001.

The Company had a net loss for the three months ending March 31, 2002. Therefore, the effect of the common stock equivalents and convertible securities is excluded from the computation of diluted net loss per share since the effect is anti-dilutive for the three months ended March 31, 2002.

(e) COMPREHENSIVE INCOME:

Comprehensive income is a component of stockholders' equity and includes such items as the Company's proportionate interest in New Valley's capital transactions, unrealized gains and losses on investment securities and minimum pension liability adjustments. Total comprehensive loss was $11,833 for the three months ended March 31, 2002 and total comprehensive income was $2,600 for the three months ended March 31, 2001.

(f) NEW ACCOUNTING PRONOUNCEMENTS:

During 2000, the Emerging Issues Task Force issued EITF No. 00-14, "Accounting for Certain Sales Incentives". EITF Issue No. 00-14 addresses the recognition, measurement and statement of operations classification for certain sales incentives and became effective in the first quarter of 2002. As a result, certain items previously included in operating, selling, general and administrative expense in the consolidated statement of operations have been recorded as a reduction of operating revenues. The Company has determined that the impact of adoption and subsequent application of EITF Issue No. 00-14 did not have a material effect on its consolidated financial position or results of operations. Upon adoption, prior period amounts, which were not significant, have been reclassified to conform to the new requirements.

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 requires that certain expenses included in operating, selling, administrative and general expenses be recorded as a reduction of operating revenues

and was effective in the first quarter of 2002. The financial statements reflect adoption of this accounting treatment. For comparative purposes, prior period amounts have been reclassified from operating, selling, administrative, and general expenses to a reduction of revenue. The adoption of EITF 00-25 did not impact the Company's consolidated financial position, operating income, or net income.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, and SFAS No. 142 is effective for fiscal years beginning after December 15, 2001.

In October 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and requires (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have any impact on the Company's consolidated financial statements.

2. LIGGETT VECTOR BRANDS

In March 2002, the Company announced that the sales and marketing functions of its Liggett and Vector Tobacco subsidiaries will be combined into a new entity, Liggett Vector Brands Inc. The newly formed company will coordinate and execute the sales and marketing efforts for all of the Company's tobacco operations. With the combined resources of Liggett and Vector Tobacco, Liggett Vector Brands initially will have 350 salesmen, and enhanced distribution and marketing capabilities. In connection with the creation of the new Liggett Vector Brands entity, the Company took a charge of $3,460 in the first quarter of 2002, related to a reorganization of its business to eliminate redundant positions, consolidate sales and marketing operations and integrate systems.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)

3. INVENTORIES

Inventories consist of:

	March 31, 2002	December 31, 2001
Leaf tobacco	$ 38,961	$ 26,364
Other raw materials	6,168	6,764
Work-in-process	3,774	2,263
Finished goods	31,312	15,317
Replacement parts and supplies	3,235	3,040
Inventories at current cost	83,450	53,748
LIFO adjustments	(1,146)	(554)
	$ 82,304	$ 53,194

At March 31, 2002, Liggett had leaf tobacco purchase commitments of approximately $29,786 and Vector Tobacco had leaf tobacco purchase commitments of approximately $2,422.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	March 31, 2002	December 31, 2001
Land and improvements	$ 2,252	$ 2,252
Buildings	24,310	23,035
Machinery and equipment	109,961	81,396
Leasehold improvements	1,093	1,451
Construction-in-progress	17,838	27,464
	155,454	135,598
Less accumulated depreciation	(32,721)	(33,413)
	$ 122,733	$ 102,185

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)

5. NOTES PAYABLE, LONG-TERM DEBT AND OTHER OBLIGATIONS

Notes payable, long-term debt and other obligations consist of:

	March 31, 2002	December 31, 2001
Vector:		
6.25% Convertible Subordinated Notes due 2008	$ 132,500	$ 132,500
VGR Holding:		
10% Senior Secured Notes due 2006, net of unamortized discount of $8,796 and $9,242	51,204	50,758
Liggett:		
Revolving credit facility	--	--
Term loan under credit facility	5,640	5,865
Other notes payable	10,653	7,748
New Valley:		
Notes payable - shopping centers	11,203	--
Vector Research:		
Equipment loans.....	18,169	12,724
Vector Tobacco:		
Note payable	7,431	8,847
Equipment loans.....	1,406	389
Other	--	250
Total notes payable, long-term debt and other obligations	238,206	219,081
Less:		
Current maturities	(5,818)	(4,808)
Amount due after one year	$ 232,388	$ 214,273

6.25% CONVERTIBLE SUBORDINATED NOTES DUE JULY 15, 2008 - VECTOR:

In July 2001, Vector completed the sale of $172,500 (net proceeds of approximately $166,400) of its 6.25% convertible subordinated notes due 2008 through a private offering to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933. The notes pay interest at 6.25% per annum and are convertible into Vector's common stock, at the option of the holder, at a conversion price of $33.26 per share at March 31, 2002. The conversion price is subject to adjustment for various events, and any cash distribution on Vector's common stock will result in a corresponding decrease in the conversion price. Following the conversion of $40,000 principal amount of the convertible notes in December 2001, $132,500 principal amount of the convertible notes were outstanding.

The notes may be redeemed by Vector, in whole or in part, between July 15, 2003 and July 15, 2004, if the closing price of Vector's common stock exceeds 150% of the conversion price then in effect for a period of at least 20 trading days in any consecutive 30 day trading period, at a price equal to 100% of the principal amount, plus accrued interest and a "make whole" payment. Vector may redeem the notes, in whole or in part, at a

price of 103.125% in the year beginning July 15, 2004, 102.083% in the year beginning July 15, 2005, 101.042% in the year beginning July 15, 2006 and 100% in the year beginning July 15, 2007, together with accrued interest. If a change of control occurs, Vector will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued interest and, under certain circumstances, a "make whole" payment.

10% SENIOR SECURED NOTES DUE MARCH 31, 2006 - VGR HOLDING:

On May 14, 2001, VGR Holding issued at a discount $60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement. VGR Holding received net proceeds from the placement of approximately $46,500. On April 30, 2002, VGR Holding issued at a discount an additional $30,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement and received net proceeds of approximately $25,000. The notes were priced to provide the purchasers with a 15.75% yield to maturity. The new notes are on the same terms as the $60,000 principal amount of senior secured notes previously issued. All $90,000 principal amount of the notes have been guaranteed by the Company and by Liggett.

The notes are collateralized by substantially all of VGR Holding's assets, including a pledge of VGR Holding's equity interests in its direct subsidiaries, including Brooke Group Holding, Brooke (Overseas) Ltd., Vector Tobacco and New Valley Holdings, Inc., as well as a pledge of the shares of Liggett and all of the New Valley securities held by VGR Holding and New Valley Holdings. The purchase agreements for the notes contain covenants, which among other things, limit the ability of VGR Holding to make distributions to Vector to 50% of VGR Holding's net income, unless VGR Holding holds $75,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of VGR Holding, Liggett and Vector Tobacco to 250% of EBITDA (as defined in the purchase agreements) for the trailing 12 months plus an additional amount of up to $75,000 during the 12 month period ending March 31, 2003, restrict transactions with affiliates subject to exceptions which include payments to Vector not to exceed $9,500 per year for permitted operating expenses, and limit the ability of VGR Holding to merge, consolidate or sell certain assets.

Prior to May 14, 2003, VGR Holding may redeem up to $31,500 of the notes at a redemption price of 100% of the principal amount with proceeds from one or more equity offerings. VGR Holding may redeem the notes, in whole or in part, at a redemption price of 100% of the principal amount beginning May 14, 2003. During the term of the notes, VGR Holding is required to offer to repurchase all the notes at a purchase price of 101% of the principal amount, in the event of a change of control, and to offer to repurchase notes, at 100% of the principal amount, with the proceeds of material asset sales.

REVOLVING CREDIT FACILITY - LIGGETT:

Liggett has a $40,000 credit facility, under which $0 was outstanding at March 31, 2002. Availability under the credit facility was approximately $26,176 based on eligible collateral at March 31, 2002. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above Philadelphia National Bank's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate, bore a rate of 5.75% at March 31, 2002. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment of the dividend, and after giving effect to the dividend, is at least $5,000. In addition, the

facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below $8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of $17,000 as computed in accordance with the agreement). At March 31, 2002, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was $41,347 and net working capital was $25,229, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

In November 1999, 100 Maple LLC, a new company formed by Liggett to purchase its Mebane, North Carolina facility, borrowed $5,040 from the lender under Liggett's credit facility. In July 2001, Liggett borrowed an additional $2,340 under the loan, and a total of $5,640 was outstanding at March 31, 2002. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of $75 with a final payment of $1,875. Interest is charged at the same rate as applicable to Liggett's credit facility, and borrowings under the Maple loan reduce the maximum availability under the credit facility. Liggett has guaranteed the loan, and a first mortgage on the Mebane property collateralizes the Maple loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

EQUIPMENT LOANS - LIGGETT:

In March 2000, Liggett purchased equipment for $1,000 under a capital lease which is payable in 60 monthly installments of $21 with an effective annual interest rate of 10.14%. In April 2000, Liggett purchased equipment for $1,071 under two capital leases which are payable in 60 monthly installments of $22 with an effective interest rate of 10.20%.

In October and December 2001, Liggett purchased equipment for $3,204 and $3,200, respectively, through capital lease arrangements guaranteed by the Company, each payable in 60 monthly installments of $61 with interest calculated at the prime rate.

In March 2002, Liggett purchased equipment for $3,023 through a capital lease arrangement, payable in 30 monthly installments of $62 and then 30 monthly installments of $51 with an effective annual interest rate of 4.68%.

NOTE PAYABLE - VECTOR TOBACCO:

In June 2001, Vector Tobacco purchased for $8,400 an industrial facility in Timberlake, North Carolina. Vector Tobacco financed the purchase with an $8,200 loan, payable in 60 monthly installments of $85, including annual interest at 4.85% above LIBOR with a final payment of approximately $3,160. The loan, which is collateralized by a mortgage and a letter of credit of $1,750, is guaranteed by VGR Holding and Vector.

During December 2001, Vector Tobacco executed a second promissory note with the same lender for approximately $1,159 to finance building improvements. The second promissory note is payable in 30 monthly installments of $39 plus accrued interest, with an annual interest rate of LIBOR plus 5.12%.

EQUIPMENT LOANS - VECTOR RESEARCH:

In February 2001, a subsidiary of Vector Research Ltd. purchased equipment for $15,500 and borrowed $13,175 to fund the purchase. The loan, which is collateralized by the equipment and a letter of credit from the Company for $775, is guaranteed by Vector Research, VGR Holding and the Company. The loan is payable in 120 monthly installments of $125, including annual interest of 2.31% above the 30-day commercial paper rate with a final payment of $6,125.

In February 2002, the Vector Research subsidiary purchased equipment for $6,575 and borrowed $6,150 to fund the purchase. The loan, which is collateralized by the equipment, is guaranteed by Vector Research and the Company. The loan is payable in 120 monthly installments of $44, including annual interest at a variable rate of 2.75% plus the 30-day average commercial paper rate.

6. CONTINGENCIES

SMOKING-RELATED LITIGATION:

OVERVIEW. Since 1954, Liggett and other United States cigarette manufacturers have been named as defendants in numerous direct and third-party actions predicated on the theory that cigarette manufacturers should be liable for damages alleged to have been caused by cigarette smoking or by exposure to secondary smoke from cigarettes. These cases are reported here as though having been commenced against Liggett (without regard to whether such cases were actually commenced against Brooke Group Holding Inc., the Company's predecessor and a wholly-owned subsidiary of VGR Holding, or Liggett). There has been a noteworthy increase in the number of cases commenced against Liggett and the other cigarette manufacturers in recent years. The cases generally fall into the following categories: (i) smoking and health cases alleging injury brought on behalf of individual plaintiffs ("Individual Actions"); (ii) smoking and health cases alleging injury and purporting to be brought on behalf of a class of individual plaintiffs ("Class Actions"); (iii) health care cost recovery actions brought by various foreign and domestic governmental entities ("Governmental Actions"); and (iv) health care cost recovery actions brought by third-party payors including insurance companies, union health and welfare trust funds, asbestos manufacturers and others ("Third-Party Payor Actions"). As new cases are commenced, defense costs and the risks attendant to the inherent unpredictability of litigation continue to increase. The future financial impact of the risks and expenses of litigation and the effects of the tobacco litigation settlements discussed below is not quantifiable at this time. For the three months ended March 31, 2002, Liggett incurred counsel fees and costs totaling approximately $1,711 compared to $2,519 for the three months ended March 31, 2001.

INDIVIDUAL ACTIONS. As of March 31, 2002, there were approximately 291 cases pending against Liggett, and in most cases the other tobacco companies, where one or more individual plaintiffs allege injury resulting from cigarette smoking, addiction to cigarette smoking or exposure to secondary smoke and seek compensatory and, in some cases, punitive damages. Of these, 90 were pending in New York, 65 in Florida, 36 in Maryland, 22 in Mississippi and 17 in California. The balance of the individual cases were pending in 21 states. There are four individual cases pending where Liggett is the only named defendant. In addition to

these cases, an action against cigarette manufacturers involving approximately 1,250 named individual plaintiffs has been consolidated before a single West Virginia state court. Liggett is a defendant in most of the cases pending in West Virginia. In January 2002, the court severed Liggett from the trial of the consolidated action, which is scheduled to begin in September 2002.

The plaintiffs' allegations of liability in those cases in which individuals seek recovery for injuries allegedly caused by cigarette smoking are based on various theories of recovery, including negligence, gross negligence, breach of special duty, strict liability, fraud, misrepresentation, design defect, failure to warn, breach of express and implied warranties, conspiracy, aiding and abetting, concert of action, unjust enrichment, common law public nuisance, property damage, invasion of privacy, mental anguish, emotional distress, disability, shock, indemnity and violations of deceptive trade practice laws, the Federal Racketeer Influenced and Corrupt Organization Act ("RICO"), state RICO statutes and antitrust statutes. In many of these cases, in addition to compensatory damages, plaintiffs also seek other forms of relief including treble/multiple damages, medical monitoring, disgorgement of profits and punitive damages. Defenses raised by defendants in these cases include lack of proximate cause, assumption of the risk, comparative fault and/or contributory negligence, lack of design defect, statute of limitations, equitable defenses such as "unclean hands" and lack of benefit, failure to state a claim and federal preemption.

Jury awards in California and Oregon have been entered against other cigarette manufacturers. The awards in these individual actions are for both compensatory and punitive damages and represent a material amount of damages. In June 2001, a jury awarded $5,500 in compensatory damages and $3,000,000 in punitive damages in a California state court case involving Philip Morris. In March 2002, a jury awarded $169 in compensatory damages and $150,000 in punitive damages in an Oregon state court case also involving Philip Morris. The punitive damages awards in both the California and Oregon actions were subsequently reduced to $100,000 by the trial courts. Both the verdict and damage awards in these cases are being appealed. In November 2001, in another case, a $25,000 punitive damages judgment against Philip Morris was affirmed by a California intermediate appellate court. Philip Morris appealed the decision to the California Supreme Court, which has accepted the case for review. During 2001, as a result of a Florida Supreme Court decision upholding the award, another cigarette manufacturer paid $1,100 in compensatory damages and interest to a former smoker and his spouse for injuries they allegedly incurred as a result of smoking. In June 2001, the United States Supreme Court declined to review the case. In December 2001, in an individual action involving another cigarette manufacturer, a Florida jury awarded a smoker $165 in compensatory damages. The defendant has filed post-trial motions challenging the verdict. In February 2002, a federal district court jury in Kansas awarded a smoker $198 in compensatory damages from two other cigarette manufacturers. A hearing on punitive damages is scheduled for May 2002.

CLASS ACTIONS. As of March 31, 2002, there were approximately 31 actions pending, for which either a class has been certified or plaintiffs are seeking class certification, where Liggett, among others, was a named defendant. Many of these actions purport to constitute statewide class actions and were filed after May 1996 when the Fifth Circuit Court of

Appeals, in the CASTANO case, reversed a Federal district court's certification of a purported nationwide class action on behalf of persons who were allegedly "addicted" to tobacco products.

The extent of the impact of the CASTANO decision on smoking-related class action litigation is still uncertain. The CASTANO decision has had a limited effect with respect to courts' decisions regarding narrower smoking-related classes or class actions brought in state rather than federal court. For example, since the Fifth Circuit's ruling, a court in Louisiana (Liggett is not a defendant in this proceeding) has certified "addiction-as-injury" class actions that covered only citizens in those states. Two other class actions, BROIN and ENGLE, were certified in state court in Florida prior to the Fifth Circuit's decision. In April 2001, the BROWN case was certified as a class action in California.

In May 1994, an action entitled ENGLE, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Circuit Court, Eleventh Judicial Circuit, Dade County, Florida, was filed against Liggett and others. The class consists of all Florida residents and citizens, and their survivors, who have suffered, presently suffer or have died from diseases and medical conditions caused by their addiction to cigarettes that contain nicotine. Phase I of the trial commenced in July 1998 and in July 1999, the jury returned the Phase I verdict. The Phase I verdict concerned certain issues determined by the trial court to be "common" to the causes of action of the plaintiff class. Among other things, the jury found that: smoking cigarettes causes 20 diseases or medical conditions, cigarettes are addictive or dependence producing, defective and unreasonably dangerous, defendants made materially false statements with the intention of misleading smokers, defendants concealed or omitted material information concerning the health effects and/or the addictive nature of smoking cigarettes and agreed to misrepresent and conceal the health effects and/or the addictive nature of smoking cigarettes, and defendants were negligent and engaged in extreme and outrageous conduct or acted with reckless disregard with the intent to inflict emotional distress. The jury also found that defendants' conduct "rose to a level that would permit a potential award or entitlement to punitive damages." The court decided that Phase II of the trial, which commenced November 1999, would be a causation and damages trial for three of the class representatives and a punitive damages trial on a class-wide basis, before the same jury that returned the verdict in Phase I. In April 2000, the jury awarded compensatory damages of $12,704 to the three plaintiffs, to be reduced in proportion to the respective plaintiff's fault. The jury also decided that the claim of one of the plaintiffs, who was awarded compensatory damages of $5,831, was not timely filed. In July 2000, the jury awarded approximately $145,000,000 in the punitive damages portion of Phase II against all defendants including $790,000 against Liggett. The court entered a final order of judgment against the defendants in November 2000. The court's final judgment, which provides for interest at the rate of 10% per year on the jury's awards, also denied various post-trial motions, including a motion for new trial and a motion seeking reduction of the punitive damages award. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it could have a material adverse effect on the Company. Phase III of the trial will be conducted before separate juries to address absent class members' claims, including issues of specific causation and other individual issues regarding entitlement to compensatory damages.

It is unclear how the ENGLE court's order regarding the determination of punitive damages will be implemented. The order provides that the punitive damage amount should be standard as to each class member and acknowledges that the actual size of the class will not be known until the last case

has withstood appeal. The order does not address whether defendants will be required to pay the punitive damage award prior to a determination of claims of all class members, a process that could take years to conclude. In May 2000, legislation was enacted in Florida that limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict to the lesser of the punitive award plus twice the statutory rate of interest, $100,000 or 10% of the net worth of the defendant, but the limitation on the bond does not affect the amount of the underlying verdict. Liggett has filed the $3,450 bond required by the Florida law in order to stay execution of the ENGLE judgment. Similar legislation has been enacted in Georgia, Kentucky, Louisiana, Nevada, North Carolina, Oklahoma, South Carolina, Virginia and West Virginia.

In May 2001, Liggett, along with Philip Morris and Lorillard Tobacco Co., reached an agreement with the class in the ENGLE case, which will provide assurance of Liggett's ability to appeal the jury's July 2000 verdict. As required by the agreement, Liggett paid $6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing $3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. As a result, the Company recorded a $9,723 pre-tax charge to the consolidated statement of operations for the first quarter of 2001. The agreement, which was approved by the court, assures that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including an appeal to the United States Supreme Court.

Class certification motions are pending in a number of putative class actions. Classes remain certified against Liggett in Florida (ENGLE), in West Virginia (BLANKENSHIP) and in California (BROWN). A number of class certification denials are on appeal.

In August 2000, in BLANKENSHIP V. PHILIP MORRIS, INC., a West Virginia state court conditionally certified (only to the extent of medical monitoring) a class of present or former West Virginia smokers who desire to participate in a medical monitoring plan. The trial of this case ended on January 25, 2001, when the judge declared a mistrial. In an order issued on March 23, 2001, the court reaffirmed class certification of this medical monitoring action. In July 2001, the court issued an order severing Liggett from the retrial of the case which began in September 2001. In November 2001, the jury returned a verdict in favor of the defendants.

In April 2001, the California state court in the case of BROWN V. THE AMERICAN TOBACCO COMPANY, INC., ET AL., granted in part plaintiff's motion for class certification and certified a class comprised of adult residents of California who smoked at least one of defendants' cigarettes "during the applicable time period" and who were exposed to defendants' marketing and advertising activities in California. Certification was granted as to plaintiff's claims that defendants violated California's unfair business practices statute. The court subsequently defined "the applicable class period" for plaintiff's claims, pursuant to a stipulation submitted by the parties, as June 10, 1993 through April 23, 2001. The California Court of Appeals denied defendants' writ application, which sought review of the trial court's class certification orders. Defendants filed a petition for review with the California Supreme Court, which was subsequently denied. Trial is scheduled to begin in October 2002. Liggett is a defendant in the case.

Approximately 38 purported state and federal class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations, including Liggett. The actions allege that the cigarette manufacturers have engaged in a nationwide and international conspiracy to fix the price of cigarettes in violation of state and federal antitrust laws. Plaintiffs allege that defendants' price-fixing conspiracy raised the price of cigarettes above a competitive level. Plaintiffs in the 31 state actions purport to represent classes of indirect purchasers of cigarettes in 16 states; plaintiffs in the seven federal actions purport to represent a nationwide class of wholesalers who purchased cigarettes directly from the defendants. The federal actions have been consolidated and, in July 2000, plaintiffs in the federal consolidated action filed a single consolidated complaint that did not name Liggett as a defendant, although Liggett has complied with certain discovery requests. Fourteen California actions have been consolidated and the consolidated complaint did not name Liggett as a defendant. In Nevada, an amended complaint was filed that did not name Liggett as a defendant. The Arizona action was dismissed by the trial court, but the plaintiffs have appealed that ruling.

Liggett and plaintiffs have advised the court, in SIMON V. PHILIP MORRIS ET AL., a putative nationwide smokers class action, that Liggett and the plaintiffs have engaged in preliminary settlement discussions. There are no assurances that any settlement will be reached or that the class will ultimately be certified.

GOVERNMENTAL ACTIONS. As of March 31, 2002, there were approximately 40 Governmental Actions pending against Liggett. In these proceedings, both foreign and domestic governmental entities seek reimbursement for Medicaid and other health care expenditures. The claims asserted in these health care cost recovery actions vary. In most of these cases, plaintiffs assert the equitable claim that the tobacco industry was "unjustly enriched" by plaintiffs' payment of health care costs allegedly attributable to smoking and seek reimbursement of those costs. Other claims made by some but not all plaintiffs include the equitable claim of indemnity, common law claims of negligence, strict liability, breach of express and implied warranty, breach of special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, claims under state and federal statutes governing consumer fraud, antitrust, deceptive trade practices and false advertising, and claims under RICO.

THIRD-PARTY PAYOR ACTIONS. As of March 31, 2002, there were approximately 11 Third-Party Payor Actions pending against Liggett. The claims in these cases are similar to those in the Governmental Actions but have been commenced by insurance companies, union health and welfare trust funds, asbestos manufacturers and others. Eight United States Circuit Courts of Appeal have ruled that Third-Party Payors did not have standing to bring lawsuits against the tobacco companies. In January 2000, the United States Supreme Court denied petitions for certiorari filed by several of the union health and welfare trust funds. However, a number of Third-Party Payor Actions, including an action brought by 24 Blue Cross/Blue Shield Plans, remain pending.

In June 2001, a jury in a third party payor action brought by Empire Blue Cross and Blue Shield in the Eastern District of New York rendered a verdict awarding the plaintiff $17,800 in damages against the major tobacco companies. As against Liggett, the jury awarded the plaintiff

damages of $89. In February 2002, the court awarded plaintiff's counsel $37,800 in attorneys' fees, without allocating the fee award among the several defendants. Liggett has appealed both the jury verdict and the attorneys' fee award.

In other Third-Party Payor Actions claimants have set forth several additional theories of relief sought: funding of corrective public education campaigns relating to issues of smoking and health; funding for clinical smoking cessation programs; disgorgement of profits from sales of cigarettes; restitution; treble damages; and attorneys' fees. Nevertheless, no specific amounts are provided. It is understood that requested damages against the tobacco company defendants in these cases might be in the billions of dollars.

FEDERAL GOVERNMENT ACTION. In September 1999, the United States government commenced litigation against Liggett and the other tobacco companies in the United States District Court for the District of Columbia. The action seeks to recover an unspecified amount of health care costs paid for and furnished, and to be paid for and furnished, by the Federal Government for lung cancer, heart disease, emphysema and other smoking-related illnesses allegedly caused by the fraudulent and tortious conduct of defendants, to restrain defendants and co-conspirators from engaging in fraud and other unlawful conduct in the future, and to compel defendants to disgorge the proceeds of their unlawful conduct. The complaint alleges that such costs total more than $20,000,000 annually. The action asserts claims under three federal statutes, the Medical Care Recovery Act ("MCRA"), the Medicare Secondary Payer provisions of the Social Security Act ("MSP") and RICO. In December 1999, Liggett filed a motion to dismiss the lawsuit on numerous grounds, including that the statutes invoked by the government do not provide the basis for the relief sought. In September 2000, the court dismissed the government's claims based on MCRA and MSP, and the court reaffirmed its decision in July 2001. In the September 2000 decision, the court also determined not to dismiss the government's claims based on RICO, under which the government continues to seek court relief to restrain the defendant tobacco companies from allegedly engaging in fraud and other unlawful conduct and to compel disgorgement.

In June 2001, the United States Attorney General assembled a team of three Department of Justice ("DOJ") lawyers to work on a possible settlement of the federal lawsuit. The DOJ lawyers met with representatives of the tobacco industry, including Liggett, in July 2001. No settlement was reached, and no further meetings are planned. Discovery in the case has commenced, and trial has been scheduled for July 2003.

SETTLEMENTS. In March 1996, Brooke Group Holding and Liggett entered into an agreement, subject to court approval, to settle the CASTANO class action tobacco litigation. The CASTANO class was subsequently decertified by the court.

In March 1996, March 1997 and March 1998, Brooke Group Holding and Liggett entered into settlements of smoking-related litigation with the Attorneys General of 45 states and territories. The settlements released both Brooke Group Holding and Liggett from all smoking-related claims, including claims for health care cost reimbursement and claims concerning sales of cigarettes to minors.

In November 1998, Philip Morris, Brown & Williamson Tobacco Corporation, R.J. Reynolds Tobacco Company and Lorillard Tobacco Company (collectively, the "Original Participating Manufacturers" or "OPMs") and Liggett (together with the OPMs and any other tobacco product manufacturer that

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)

becomes a signatory, the "Participating Manufacturers") entered into the Master Settlement Agreement (the "MSA") with 46 states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Marianas (collectively, the "Settling States") to settle the asserted and unasserted health care cost recovery and certain other claims of those Settling States. The MSA has received final judicial approval in each of the 52 settling jurisdictions.

The MSA restricts tobacco product advertising and marketing within the Settling States and otherwise restricts the activities of Participating Manufacturers. Among other things, the MSA prohibits the targeting of youth in the advertising, promotion or marketing of tobacco products; bans the use of cartoon characters in all tobacco advertising and promotion; limits each Participating Manufacturer to one tobacco brand name sponsorship during any 12-month period; bans all outdoor advertising, with the exception of signs 14 square feet or less in dimension at retail establishments that sell tobacco products; prohibits payments for tobacco product placement in various media; bans gift offers based on the purchase of tobacco products without sufficient proof that the intended recipient is an adult; prohibits Participating Manufacturers from licensing third parties to advertise tobacco brand names in any manner prohibited under the MSA; prohibits Participating Manufacturers from using as a tobacco product brand name any nationally recognized non-tobacco brand or trade name or the names of sports teams, entertainment groups or individual celebrities; and prohibits Participating Manufacturers from selling packs containing fewer than 20 cigarettes.

The MSA also requires Participating Manufacturers to affirm corporate principles to comply with the MSA and to reduce underage usage of tobacco products and imposes requirements applicable to lobbying activities conducted on behalf of Participating Manufacturers.

Liggett has no payment obligations under the MSA unless its market share exceeds a base share of 125% of its 1997 market share, or approximately 1.65% of total cigarettes sold in the United States. During 1999 and 2000, Liggett's market share did not exceed the base amount. Liggett believes, based on published industry sources, that its domestic shipments accounted for 2.2% of the total cigarettes shipped in the United States during 2001. On April 15 of any year following a year in which Liggett's market share exceeds the base share, Liggett will pay on each excess unit an amount equal (on a per-unit basis) to that paid during such following year by the OPMs under the annual and strategic contribution payment provisions of the MSA, subject to applicable adjustments, offsets and reductions. Liggett has expensed $24,606 for its estimated MSA obligations for 2001 and $2,980 for the first quarter of 2002 as part of cost of goods sold. Under the annual and strategic contribution payment provisions of the MSA, the OPMs (and Liggett to the extent its market share exceeds the base share) are required to pay the following annual amounts (subject to certain adjustments):

YEAR	AMOUNT
2002 - 2003	$6,500,000
2004 - 2007	$8,000,000
2008 - 2017	$8,139,000
2018 and each year thereafter	$9,000,000

These annual payments will be allocated based on relative unit volume of domestic cigarette shipments. The payment obligations under the MSA are the several, and not joint, obligations of each Participating Manufacturer and are not the responsibility of any parent or affiliate of a Participating Manufacturer.

The MSA replaces Liggett's prior settlements with all states and territories except for Florida, Mississippi, Texas and Minnesota. Each of these states, prior to the effective date of the MSA, negotiated and executed settlement agreements with each of the other major tobacco companies separate from those settlements reached previously with Liggett. Because these states' settlement agreements with Liggett provided for "most favored nation" protection for both Brooke Group Holding and Liggett, the payments due these states by Liggett (with certain possible exceptions) have been eliminated. With respect to all non-economic obligations under the previous settlements, both Brooke Group Holding and Liggett are entitled to the most favorable provisions as between the MSA and each state's respective settlement with the other major tobacco companies. Therefore, Liggett's non-economic obligations to all states and territories are now defined by the MSA.

In April 1999, a putative class action was filed on behalf of all firms that directly buy cigarettes in the United States from defendant tobacco manufacturers. The complaint alleges violation of antitrust law, based in part on the MSA. Plaintiffs seek treble damages computed as three times the difference between current prices and the price plaintiffs would have paid for cigarettes in the absence of an alleged conspiracy to restrain and monopolize trade in the domestic cigarette market, together with attorneys' fees. Plaintiffs also seek injunctive relief against certain aspects of the MSA.

In March 1997, Liggett, Brooke Group Holding and a nationwide class of individuals that allege smoking-related claims filed a mandatory class settlement agreement in an action entitled FLETCHER, ET AL. V. BROOKE GROUP LTD., ET AL., Circuit Court of Mobile County, Alabama, where the court granted preliminary approval and preliminary certification of the class. In July 1998, Liggett, Brooke Group Holding and plaintiffs filed an amended class action settlement agreement in FLETCHER which agreement was preliminarily approved by the court in December 1998. In July 1999, the court denied approval of the FLETCHER class action settlement. The parties' motion for reconsideration is still pending.

Copies of the various settlement agreements are filed as exhibits to the Company's Form 10-K and the discussion herein is qualified in its entirety by reference thereto.

TRIALS. Cases currently scheduled for trial during the next six months include an individual action in Florida state court scheduled for May 2002 and an action consolidating the claims of four individuals in a Mississippi state court scheduled for June 2002. In addition, the BROWN class action is scheduled for trial in California state court for October 2002. Trial dates, however, are subject to change.

Management is not able to predict the outcome of the litigation pending against Brooke Group Holding or Liggett. Litigation is subject to many uncertainties. An unfavorable verdict was returned in the first phase of the ENGLE smoking and health class action trial pending in Florida. In July 2000, the jury awarded $790,000 in punitive damages against Liggett in the second phase of the trial, and the court has entered an order of final judgment. Liggett intends to pursue all available post-trial and

appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it could have a material adverse effect on the Company. Liggett has filed the $3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the ENGLE case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the bonding statute enacted in 2000 by the Florida legislature, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid $6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing $3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. As a result, the Company recorded a $9,723 pre-tax charge to the consolidated statement of operations for the three months ended March 31, 2001. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. Management is unable to make a meaningful estimate with respect to the amount or range of loss that could result from an unfavorable outcome of the cases pending against Brooke Group Holding or Liggett or the costs of defending such cases. The complaints filed in these cases rarely detail alleged damages. Typically, the claims set forth in an individual's complaint against the tobacco industry pray for money damages in an amount to be determined by a jury, plus punitive damages and costs. These damage claims are typically stated as being for the minimum necessary to invoke the jurisdiction of the court.

It is possible that the Company's consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such smoking-related litigation.

Liggett's management is unaware of any material environmental conditions affecting its existing facilities. Liggett's management believes that current operations are conducted in material compliance with all environmental laws and regulations and other laws and regulations governing cigarette manufacturers. Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect on the capital expenditures, earnings or competitive position of Liggett.

There are several other proceedings, lawsuits and claims pending against the Company and certain of its consolidated subsidiaries unrelated to smoking or tobacco product liability. Management is of the opinion that the liabilities, if any, ultimately resulting from such other proceedings, lawsuits and claims should not materially affect the Company's financial position, results of operations or cash flows.

LEGISLATION AND REGULATION:

In January 1993, the Environmental Protection Agency ("EPA") released a report on the respiratory effect of secondary smoke which concludes that secondary smoke is a known human lung carcinogen in adults and in children, causes increased respiratory tract disease and middle ear

disorders and increases the severity and frequency of asthma. In June 1993, the two largest of the major domestic cigarette manufacturers, together with other segments of the tobacco and distribution industries, commenced a lawsuit against the EPA seeking a determination that the EPA did not have the statutory authority to regulate secondary smoke, and that given the current body of scientific evidence and the EPA's failure to follow its own guidelines in making the determination, the EPA's classification of secondary smoke was arbitrary and capricious. In July 1998, a federal district court vacated those sections of the report relating to lung cancer, finding that the EPA may have reached different conclusions had it complied with relevant statutory requirements. The federal government has appealed the court's ruling. Whatever the ultimate outcome of this litigation, issuance of the report may encourage efforts to limit smoking in public areas.

In February 1996, the United States Trade representative issued an "advance notice of rule making" concerning how tobacco is imported under a previously established tobacco rate quota ("TRQ") should be allocated. Currently, tobacco imported under the TRQ is allocated on a "first-come, first-served" basis, meaning that entry is allowed on an open basis to those first requesting entry in the quota year. Others in the cigarette industry have suggested an "end-user licensing" system under which the right to import tobacco under the quota would be initially assigned based on domestic market share. Such an approach, if adopted, could have a material adverse effect on the Company and Liggett.

In August 1996, the Food and Drug Administration (the "FDA") filed in the Federal Register a Final Rule classifying tobacco as a "drug" or "medical device", asserting jurisdiction over the manufacture and marketing of tobacco products and imposing restrictions on the sale, advertising and promotion of tobacco products. Litigation was commenced challenging the legal authority of the FDA to assert such jurisdiction, as well as challenging the constitutionality of the rules. In March 2000, the United States Supreme Court ruled that the FDA does not have the power to regulate tobacco. Liggett supported the FDA Rule and began to phase in compliance with certain of the proposed FDA regulations.

Since the Supreme Court decision, various proposals have been made for federal and state legislation to regulate cigarette manufacturers. In May 2001, a Presidential commission appointed by former President Clinton issued a final report recommending that the FDA be given authority by Congress to regulate the manufacture, sale, distribution and labeling of tobacco products to protect public health. In addition, Congressional advocates of FDA regulation have introduced such legislation for consideration by the 107th Congress. The ultimate outcome of these proposals cannot be predicted.

In August 1996, Massachusetts enacted legislation requiring tobacco companies to publish information regarding the ingredients in cigarettes and other tobacco products sold in that state. In December 1997, the United States District Court for the District of Massachusetts preliminarily enjoined this legislation from going into effect on the grounds that it is preempted by federal law. In November 1999, the United States Court of Appeals for the First Circuit affirmed this ruling. In September 2000, the federal district court permanently enjoined enforcement of the law. In October 2001, the First Circuit reversed the district court's decision, ruling that the ingredients disclosure

provisions are valid. The entire court, however, agreed to re-hear the appeal, reinstating the district court's injunction in the meantime. Oral argument before the full court took place on January 7, 2002, and the court has not yet issued its decision. Notwithstanding the foregoing, in December 1997, Liggett began complying with this legislation by providing ingredient information to the Massachusetts Department of Public Health. Several other states have enacted, or are considering, legislation similar to that enacted in Massachusetts.

As part of the 1997 budget agreement approved by Congress, federal excise taxes on a pack of cigarettes, which are currently 39 cents, were increased at the beginning of each of 2000 and 2002. In general, excise taxes and other taxes on cigarettes have been increasing. These taxes vary considerably and, when combined with sales taxes and the current federal excise tax, may be as high as $2.33 per pack. Proposed further tax increases in various jurisdictions are currently under consideration or pending, and such tax increases may result in combined total taxes on a pack of cigarettes of $3.89 or more in a given locality in the United States. Congress has considered significant increases in the federal excise tax or other payments from tobacco manufacturers, and increases in excise and other cigarette-related taxes have been proposed at the state and local levels.

In August 2000, the New York state legislature passed legislation charging the state's Office of Fire Prevention and Control ("OFPC") with developing standards for "fire safe" or self-extinguishing cigarettes. The OFPC has until January 1, 2003 to issue final regulations. Six months from the issuance of the standards, all cigarettes offered for sale in New York state will be required to be manufactured to those standards. It is not possible to predict the impact of this law on the Company until the standards are published. Similar legislation is being considered by other state governments and at the federal level.

In addition to the foregoing, there have been a number of other restrictive regulatory actions, adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, the effects of which, at this time, management is not able to evaluate. These developments may negatively affect the perception of potential triers of fact with respect to the tobacco industry, possibly to the detriment of certain pending litigation, and may prompt the commencement of additional similar litigation.

OTHER MATTERS:

In March 1997, a stockholder derivative suit was filed in Delaware Chancery Court against New Valley, as a nominal defendant, its directors and Brooke Group Holding by a stockholder of New Valley. The suit alleges that New Valley's purchase of the BrookeMil shares from Brooke (Overseas) in January 1997 constituted a self-dealing transaction which involved the payment of excessive consideration by New Valley. The plaintiff seeks a declaration that New Valley's directors breached their fiduciary duties and, Brooke Group Holding aided and abetted such breaches and that damages be awarded to New Valley. In December 1999, another stockholder of New Valley commenced an action in Delaware Chancery Court substantially similar to the March 1997 action. This stockholder alleges, among other things, that the consideration paid by New Valley for the BrookeMil shares was excessive, unfair and wasteful, that the special committee of New Valley's board lacked independence, and that the appraisal and fairness opinion were flawed. By order of the court, both actions were consolidated. In January 2001, the court denied a motion to dismiss the consolidated action. Brooke Group Holding and New Valley believe that the allegations in the case are without merit. Discovery in the case has commenced.

In July 1999, a purported class action was commenced on behalf of New Valley's former Class B preferred shareholders against New Valley, Brooke Group Holding and certain directors and officers of New Valley in Delaware Chancery Court. The complaint alleges that the recapitalization, approved by a majority of each class of New Valley's stockholders in May 1999, was fundamentally unfair to the Class B preferred shareholders, the proxy statement relating to the recapitalization was materially deficient and the defendants breached their fiduciary duties to the Class B preferred shareholders in approving the transaction. The plaintiffs seek class certification of the action and an award of compensatory damages as well as all costs and fees. The Court has dismissed six of plaintiff's nine claims alleging inadequate disclosure in the proxy statement. Brooke Group Holding and New Valley believe that the remaining allegations are without merit. Discovery in the case has commenced.

Although there can be no assurances, Brooke Group Holding and New Valley believe, after consultation with counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's or New Valley's consolidated financial position, results of operations or cash flows.

As of March 31, 2002, New Valley had $2,693 of remaining prepetition bankruptcy-related claims and restructuring accruals including claims for unclaimed monies that certain states are seeking on behalf of money transfer customers. The remaining claims may be subject to future adjustments based on potential settlements or decisions of the court.

7. DISCONTINUED OPERATIONS

The consolidated financial statements of the Company have been reclassified to reflect as discontinued operations New Valley's broker-dealer operations, which were New Valley's primary source of revenues since 1995. Accordingly, revenues, costs and expenses, and cash flows of the discontinued operations have been excluded from the respective captions in the consolidated statements of operations and consolidated statements of cash flows. The net operating results of these entities have been reported, net of minority interests and applicable income taxes, as "Loss from discontinued operations," and the net cash flows of these entities have been reported as "Net cash flows used in discontinued operations."

On December 20, 2001, New Valley distributed its 53.6% interest (22,543,158 shares) of Ladenburg Thalmann Financial Service Inc. ("LTS") common stock to holders of New Valley common shares through a special dividend. On the same date, Vector distributed the 12,694,929 shares of LTS common stock that it received from New Valley to the holders of Vector's common stock as a special dividend.

On March 27, 2002, LTS borrowed $2,500 from New Valley. The loan, which bears interest at 1% above the prime rate, is due on the earlier of June 30, 2002 or the completion of one or more equity financings where LTS receives at least $5,000 in total proceeds.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)

Summarized operating results of the discontinued broker-dealer operations for the three months ended March 31, 2001 are as follows:

	March 31, 2001
Revenues	$ 19,064
Expenses	(19,386)
Operating loss before minority interests and income taxes	$ (322)

8. SEGMENT INFORMATION

Financial information for the Company's continuing operations before taxes and minority interest for the three months ended March 31, 2002 and 2001 follows:

	LIGGETT	VECTOR TOBACCO	REAL ESTATE	CORPORATE(1) AND OTHER	TOTAL
THREE MONTHS ENDED MARCH 31, 2002:					
Revenues	$ 94,092	$ 2,666	$ 424	$ --	$ 97,182
Operating income (loss)	18,478	(24,519)	(316)	(8,695)	(15,052)
Identifiable assets	170,180	87,254	12,580	389,680	659,694
Depreciation and amortization	1,246	967	123	491	2,827
Capital expenditures	8,250	9,394	688	4,565	22,897
THREE MONTHS ENDED MARCH 31, 2001:					
Revenues	$ 75,042	$ --	$ 2,641	$ --	$ 77,683
Operating income (loss)	9,704	(134)	81	(8,480)	1,171
Identifiable assets	100,089	13,964	131,025	187,218	432,296
Depreciation and amortization	1,390	103	680	47	2,220
Capital expenditures	1,376	3,484	565	14,935	20,360

(1) For 2001, the assets of the discontinued broker-dealer segment are included in Corporate and Other.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

INTRODUCTION

The following discussion provides an assessment of our consolidated results of operations, capital resources and liquidity and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. The consolidated financial statements include the accounts of VGR Holding Inc., Liggett Group Inc., New Valley Corporation, Vector Tobacco Inc. and other less significant subsidiaries. As of March 31, 2002, we owned 56.2% of New Valley's common shares.

We are a holding company for a number of businesses. We are engaged principally in:

- the development of new reduced carcinogen and nicotine-free cigarette products through our subsidiary Vector Tobacco, and
- the manufacture and sale of cigarettes in the United States through our subsidiary Liggett.

Our majority-owned subsidiary, New Valley, completed in December 2001 the distribution to its stockholders of its shares in Ladenburg Thalmann Financial Services, its former majority-owned subsidiary engaged in the investment banking and brokerage business. The Ladenburg Thalmann Financial Services shares received by us were, in turn, distributed to our stockholders. Following the distribution of the shares, New Valley's broker-dealer operations, which were its primary source of revenues since 1995, are accounted for as a discontinued operation. New Valley is currently engaged in the real estate business and is seeking to acquire additional operating companies.

RECENT DEVELOPMENTS

LIGGETT VECTOR BRANDS. In March 2002, we announced that the sales and marketing functions of our Liggett and Vector Tobacco subsidiaries will be combined into a new entity, Liggett Vector Brands Inc. The newly formed company will coordinate and execute the sales and marketing efforts for all of our tobacco operations. With the combined resources of Liggett and Vector Tobacco, Liggett Vector Brands initially will have 350 salesmen, and enhanced distribution and marketing capabilities. In connection with the creation of the new Liggett Vector Brands entity, we took a charge of $3,460 in the first quarter of 2002, related to a reorganization of our business to eliminate redundant positions, consolidate sales and marketing operations and integrate systems integration.

ACQUISITION OF MEDALLION. On April 1, 2002, a subsidiary of ours acquired the stock of The Medallion Company, Inc., and related assets from Medallion's principal stockholder. The total purchase price consisted of $50,000 in cash and $60,000 in notes, with the notes guaranteed by us and by Liggett. Medallion, a discount cigarette manufacturer headquartered in Richmond, Virginia, is a participant in the Master Settlement Agreement between the state Attorneys General and the tobacco industry. Medallion has no payment obligations under the Master Settlement Agreement unless its market share exceeds approximately 0.28% of total cigarettes sold in the United States (approximately 1.15 billion units in 2001).

VGR HOLDING PRIVATE PLACEMENT. On April 30, 2002, VGR Holding issued at a discount $30,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement to institutional investors. VGR Holding received net proceeds from the placement of approximately $25,000.

RECENT DEVELOPMENTS IN LEGISLATION, REGULATION AND LITIGATION

The cigarette industry continues to be challenged on numerous fronts. New cases continue to be commenced against Liggett and other cigarette manufacturers. As of March 31, 2002, there were approximately 291 individual suits, 31 purported class actions and 51 governmental and other third-party payor health care reimbursement actions pending in the United States in which Liggett was a named defendant. In addition to these cases, an action against cigarette manufacturers involving approximately 1,250 named individual plaintiffs has been consolidated before a single West Virginia state court. Liggett is a defendant in most of the cases pending in West Virginia. Approximately 38 other purported class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations. As new cases are commenced, the costs associated with defending these cases and the risks relating to the inherent unpredictability of litigation continue to increase.

An unfavorable verdict was returned in the first phase of the ENGLE smoking and health class action trial pending in Florida. In July 2000, the jury awarded $790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the $3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. In May 2001, Liggett reached an agreement with the class in the ENGLE case, which will provide assurance to Liggett that the stay of execution, currently in effect under the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid $6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing $3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met.

In recent years, there have been a number of restrictive regulatory actions from various Federal administrative bodies, including the United States Environmental Protection Agency and the Food and Drug Administration. There have also been adverse political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, including the commencement and certification of class actions and the commencement of third-party payor actions. These developments generally receive widespread media attention. We are not able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation, but our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any smoking-related litigation. See Note 6 to our consolidated financial statements for a description of legislation, regulation and litigation.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was recently released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The following is a brief discussion of the more significant accounting policies and methods used by us.

GENERAL. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the near term include deferred tax assets, allowance for doubtful accounts, promotional accruals, sales returns and allowances, actuarial assumptions of pension plans and litigation and defense costs. Actual results could differ from those estimates.

REVENUE RECOGNITION. Revenues from sales of cigarettes are recognized upon the shipment of finished goods to customers. We provide an allowance for expected sales returns, net of related inventory cost recoveries. Since our primary line of business is tobacco, our financial position and our results of operations and cash flows have been and could continue to be materially adversely effected by significant unit sales volume declines, litigation and defense costs, increased tobacco costs or reductions in the selling price of cigarettes in the near term. As discussed in Note 1 to our consolidated financial statements, effective January 1, 2002, we adopted new required accounting standards mandating that certain sales incentives previously reported as operating, selling, general and administrative expenses be shown as a reduction of operating revenues. As a result, our previously reported revenues have been reduced by approximately $62,094 for the quarter ended March 31, 2001. The adoption of the new accounting standards had no impact on our net earnings or basic or diluted earnings per share.

MARKETING COSTS. We record marketing costs as an expense in the period to which such costs relate. We do not defer the recognition of any amounts on our consolidated balance sheets with respect to marketing costs. We expense advertising costs as incurred, which is the period in which the related advertisement initially appears. We record consumer incentive and trade promotion costs as an expense in the period in which these programs are offered, based on estimates of utilization and redemption rates that are developed from historical information. As discussed above under "Revenue Recognition", beginning January 1, 2002, we have adopted the previously mentioned revenue recognition accounting standards that mandate that certain costs previously reported as marketing expense be shown as a reduction of operating revenues. As a result, previously reported amounts for operating, selling, general and administrative expenses have been reduced by approximately $62,094 for the quarter ended March 31, 2001. The adoption of the new accounting standards had no impact on our net earnings or basic or diluted earnings per share.

CONTINGENCIES. As discussed in Note 6 of our consolidated financial statements and above under the heading "Recent Developments in Legislation, Regulation and Litigation", legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against Liggett. Management is unable to make a meaningful estimate with respect to the amount or range of loss that could result from an unfavorable outcome of pending smoking-related litigation or the costs of defending such cases, and we have not provided any amounts in our consolidated financial statements for unfavorable outcomes, if any. Litigation is subject to many uncertainties, and it is possible that our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such smoking-related litigation.

EMPLOYEE BENEFIT PLANS. Since 1997, income from our defined benefit pension plans, partially offset by the costs of postretirement medical benefits, have contributed to our reported operating income. The determination of our net pension and other postretirement benefit income or expense is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and healthcare costs. In accordance with accounting principles generally accepted in the United States of America, actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect our recognized income or expense in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our future net pension and other postretirement benefit income or expense.

RESULTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
REVENUES:		
Liggett	$ 94,092	$ 75,042
Vector Tobacco	2,666	--
Total tobacco	96,758	75,042
Real estate	424	2,641
Total revenues	$ 97,182	$ 77,683
OPERATING (LOSS) INCOME:		
Liggett	$ 18,478	$ 9,704
Vector Tobacco	(24,519)	(134)
Total tobacco	(6,041)	9,570
Real estate	(316)	81
Corporate and other	(8,695)	(8,480)
Total operating (loss) income	$(15,052)	$ 1,171

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

REVENUES. Total revenues were $97,182 for the three months ended March 31, 2002 compared to $77,683 for the three months ended March 31, 2001. This 25.1% ($19,499) increase in revenues was due to a $19,050 or 25.4% increase in revenues at Liggett, and $2,666 in revenues at Vector Tobacco offset by a decrease of $2,217 in real estate revenues at New Valley.

TOBACCO REVENUES. During 2001, the major cigarette manufacturers, including Liggett, announced list price increases of $1.90 per carton.

Tobacco revenues at Liggett for the three months ended March 31, 2002 increased for both the premium and discount segments due to a 21.2% ($15,914) gain in unit sales volume (approximately 341.5 million units) and price increases of $4,772, discussed above, offset by $1,636 in unfavorable sales mix.

Premium sales at Liggett for the first quarter of 2002 amounted to $10,035 and represented 10.7% of total Liggett sales, compared to $10,869 and 14.5% of total sales for the first quarter of 2001. In the premium segment, revenues decreased by 7.7% ($834) for the three months ended March 31, 2002, compared to the prior year first quarter, due to a favorable volume variance of $3,541, reflecting a 32.6% increase in unit sales volume (approximately 39.0 million units), offset by an unfavorable price variance of $4,375, primarily associated with promotional activities.

Discount sales at Liggett (comprising the brand categories of branded discount, private label, control label, generic, international and contract manufacturing) for the three months ended March 31, 2002 amounted to $84,057 and represented 89.3% of total Liggett sales, compared to $64,173 and 85.5% of total Liggett sales for the three months ended March 31, 2001. In the discount segment, revenues grew by 31.0% ($19,884) for the three months ended March 31, 2002 compared to the prior year period, due to a 20.3% gain in unit sales volume (approximately 302.5 million units) accounting for $13,023 in positive volume variance and price increases of $9,147, partially offset by an unfavorable product mix of $2,286.

For the three months ended March 31, 2002, fixed manufacturing costs at Liggett on a basis comparable to 2001 were $447 higher with costs per thousand units of $1.89 increasing 3.8% from the previous year's $1.82, concurrent with a 7.8% increase in production volume. On a per-thousand unit basis, fixed payroll expense and indirect labor of $1.00 for the three months ended March 31, 2002 increased from $0.90 in the prior year period (11.1%), while fixed non-payroll expenses decreased to $0.88 from $0.92 in the prior year period (4.3%).

TOBACCO GROSS PROFIT. Tobacco gross profit was $35,756 for the three months ended March 31, 2002 compared to $34,278 for the three months ended March 31, 2001, an increase of $1,478 or 4.3% when compared to the same period last year, due primarily to the volume and price increases discussed above at Liggett offset by costs associated with the start-up at Vector Tobacco. Liggett's premium brands contributed 14.5% to our gross profit, the discount segment contributed 92.1% and Vector Tobacco cost 6.6% for the three months ended March 31, 2002. Over the same period in 2001, Liggett's premium brands contributed 22.2% and the discount segment contributed 77.8%.

Liggett's gross profit of $37,967 for the three months ended March 31, 2002 increased $3,839 from gross profit of $34,128 for the three months ended March 31, 2001, due primarily to the price and unit volume increases discussed above, offset by the estimated payment obligations under the Attorneys General Master Settlement Agreement. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett decreased to 67.5% for the three months ended March 31, 2002 compared to 71.2% for the same period in 2001, with gross profit for the premium segment decreasing to 74.9% for the three months ended March 31, 2002 compared to 85.7% in the same period in 2001 and gross profit for the discount segment decreasing to 66.6% in the three months ended March 31, 2002 from 68.0% in the same period in 2001. This decrease is due primarily to the inclusion of the estimated payment obligation ($2,980) under the Attorneys General Master Settlement Agreement within cost of goods sold and to the disproportionate rise in deep-discount LIGGETT SELECT sales offset by the overall growth in sales volume and the April 2001 list price increases.

REAL ESTATE REVENUES. New Valley's real estate revenues were $424 for the three months ended March 31, 2002. This compares to revenues of $2,641 from real estate activities for the three months ended March 31, 2001 with the decline primarily due to the absence of rental revenue of $1,944 from Western Realty Investments, which was sold in December 2001, and one of New Valley's two U. S. shopping centers, which was sold in January 2001.

EXPENSES. Operating, selling, general and administrative expenses and settlement charges were $51,232 for the three months ended March 31, 2002 compared to $35,748 for the same period last year. The increase of $15,484 was due primarily to a $17,724 increase in expenses at Vector Tobacco related to expenses of product development and marketing for Vector Tobacco's new OMNI and nicotine-free products, an increase of $5,604 related to a larger sales force

and increased marketing efforts at Liggett and increased expenses at corporate offset by lower expenses at New Valley due to the absence of broker-dealer operations. Expenses at Liggett were $20,296 for the three months ended March 31, 2002 compared to $14,659 for the same period last year. Expenses at Vector Tobacco for the three months ended March 31, 2002 were $22,158, compared to expenses of $4,434 for the three months ended March 31, 2001. For the first quarter of 2002, expenses at Liggett included $3,460 in connection with the creation of Liggett Vector Brands, related to a reorganization of its business to eliminate redundant positions, consolidate of sales and marketing operations and integrate systems.

For the quarter ended March 31, 2001, Liggett's operating income was reduced by $9,723 of expense relating to the ENGLE class action. As discussed in Note 6 to our consolidated financial statements, in May 2001, Liggett reached an agreement with the class in the ENGLE case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid $6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing $3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. As a result, we recorded a $9,723 pre-tax charge to the consolidated statement of operations for the first quarter of 2001.

OTHER INCOME (EXPENSES). For the three months ended March 31, 2002, other expense was $1,745 compared to other income of $2,895 for the three months ended March 31, 2001. Interest and dividend income of $2,820 and a gain on sale of investments of $1,321 were offset primarily by interest expense and a loss on the sale of real estate assets.

Interest expense was $5,385 for the three months ended March 31, 2002 compared to $1,258 for the same period last year, due to the issuance of long-term debt at the corporate level.

(LOSS) INCOME FROM CONTINUING OPERATIONS. The loss from continuing operations before income taxes and minority interests for the three months ended March 31, 2002 was $16,797 compared to income of $4,066 for the three months ended March 31, 2001. Income tax benefit was $4,262 and minority interests in losses of subsidiaries were $672 for the three months ended March 31, 2002. This compared to tax expense of $2,145 and minority interests in losses of subsidiaries of $706 for the three months ended March 31, 2001. The effective tax rates for the three months ended March 31, 2002 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses and state income taxes.

CAPITAL RESOURCES AND LIQUIDITY

Net cash and cash equivalents decreased $41,937 for the three months ended March 31, 2002 and decreased $37,383 for the three months ended March 31, 2001.

Net cash used in operations for the three months ended March 31, 2002 was $17,995 compared to net cash used in operations of $1,541 for the comparable period of 2001. Cash used in operations in 2002 resulted primarily from the first quarter operating loss, increased inventories and reduced receivables offset by the non-cash impact of depreciation and amortization, non-cash stock-based expense, losses on the sale of assets and minority interests. Cash used in the 2001 period for operating activities related to an increase in inventories and a decrease in

current liabilities partially offset by non-cash expenses such as depreciation and amortization and stock-based compensation expense and a decrease in receivables.

Cash used in investing activities of $19,548 in 2002 compares to cash used of $8,112 in 2001. In 2002, cash was used principally for acquisition of machinery and equipment in the amount of $22,897 and issuance of a note receivable for $2,500 at New Valley offset primarily by proceeds received upon sale of investment securities and other assets of $4,862. In 2001, cash was used primarily for capital expenditures of $20,360, payment of prepetition claims of $2,590 and purchases of investment securities of $1,761. These expenditures were offset primarily by $11,981 of proceeds from the sale of one of New Valley's shopping centers and sales at Liggett of a warehouse facility and machinery and equipment and by net sales of long-term investments.

Cash used in financing activities was $4,394 in 2002 compared to cash used of $24,641 in 2001. In the first quarter of 2002, cash was used primarily for dividends of $13,289 and repayments of debt of $1,704 offset by proceeds from debt of $9,158 and proceeds from the exercise of options of $1,441. In the first quarter of 2001, cash was used primarily for net repayments on the revolving credit facilities of $19,372 slightly offset by net proceeds from debt of $3,389. Further cash was used for dividends of $10,267 and decreases in margin loans payable of $827.

LIGGETT. Liggett has a $40,000 credit facility under which $0 was outstanding at March 31, 2002. Availability under the facility was approximately $26,176 based on eligible collateral at March 31, 2002. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above First Union's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate, bore a rate of 5.75% at March 31, 2002. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment of the dividend, and after giving effect to the dividend, is at least $5,000. In addition, the facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below $8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of $17,000 as computed in accordance with the agreement). At March 31, 2002, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was $41,347 and net working capital was $25,229, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

In November 1999, 100 Maple LLC, a new company formed by Liggett to purchase an industrial facility in Mebane, North Carolina, borrowed $5,040 from the lender under Liggett's credit facility. In July 2001, Liggett borrowed an additional $2,340 under the loan, and a total of $5,640 was outstanding at March 31, 2002. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of $75 including annual interest at 1% above the prime rate with a final payment of $1,875. Interest is charged at the same rate as applicable to Liggett's credit facility, and borrowings under the Maple loan reduce the maximum availability under the credit facility. Liggett has guaranteed the loan, and a first mortgage on the Mebane property and equipment collateralizes the Maple loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

In March 2000, Liggett purchased equipment for $1,000 under a capital lease which is payable in 60 monthly installments of $21 with an effective annual interest rate of 10.14%. In April 2000, Liggett purchased equipment for $1,071 under two capital leases which are payable in 60 monthly installments of $22 with an effective interest rate of 10.20%.

Liggett has been upgrading the efficiency of its manufacturing operation at Mebane with the addition of four new state-of-the-art cigarette makers and packers, as well as related equipment. The total cost of these upgrades will be approximately $22,000. Liggett took delivery of the first two of the new lines in the fourth quarter of 2001 and financed the purchase price of $6,404 through capital lease arrangements guaranteed by us and payable in 60 monthly installments of $61 with interest calculated at the prime rate. In March 2002, the third line was delivered, and the purchase price of $3,023 was financed through a capital lease arrangement, payable in 30 monthly installments of $62 and then 30 monthly installments of $51 with an effective annual interest rate of 4.68%.

Liggett (and, in certain cases, Brooke Group Holding, our predecessor and a wholly-owned subsidiary of VGR Holding) and other United States cigarette manufacturers have been named as defendants in a number of direct and third-party actions (and purported class actions) predicated on the theory that they should be liable for damages from cancer and other adverse health effects alleged to have been caused by cigarette smoking or by exposure to so-called secondary smoke from cigarettes. We believe, and have been so advised by counsel handling the respective cases, that Brooke Group Holding and Liggett have a number of valid defenses to claims asserted against them. Litigation is subject to many uncertainties. An unfavorable verdict was returned in the first phase of the ENGLE smoking and health class action trial pending in Florida. In July 2000, the jury awarded $790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the $3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. In May 2001, Liggett reached an agreement with the class in the ENGLE case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid $6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing $3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. In recent years, there have been a number of adverse regulatory, political and other developments concerning cigarette smoking and the tobacco industry. These developments generally receive widespread media attention. Neither we nor Liggett are able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation or regulation. See Note 6 to our consolidated financial statements.

Management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of the cases pending against Brooke Group Holding or Liggett or the costs of defending such cases. It is possible that our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

VECTOR RESEARCH. In February 2001, a subsidiary of Vector Research Ltd. purchased equipment for $15,500 and borrowed $13,175 to fund the purchase. The loan, which is collateralized by the equipment and a letter of credit from us for $775, is guaranteed by Vector Research, VGR Holding and us. The loan is payable in 120 monthly installments of $125 including annual interest of 2.31% above the 30-day commercial paper rate with a final payment of $6,125.

In February 2002, the Vector Research subsidiary purchased equipment for $6,575 and borrowed $6,150 to fund the purchase. The loan, which is collateralized by the equipment, is guaranteed by Vector Research and us. The loan is payable in 120 monthly installments of $44, including annual interest at 2.75% above the 30-day commercial paper rate.

VECTOR TOBACCO. In June 2001, Vector Tobacco purchased for $8,400 an industrial facility in Timberlake, North Carolina. Vector Tobacco financed the purchase with an $8,200 loan. The loan is payable in 60 monthly installments of $85, including annual interest at 4.85% above the LIBOR rate, with a final payment of approximately $3,160. The loan, which is collateralized by a mortgage and a letter of credit of $1,750, is guaranteed by VGR Holding and Vector.

During December 2001, Vector Tobacco executed a second promissory note with the same lender for approximately $1,159 to finance building improvements. The second promissory note is payable in 30 monthly installments of $39 plus accrued interest, with an annual interest rate of LIBOR plus 5.12%.

On April 1, 2002, a subsidiary of ours acquired the stock of The Medallion Company, Inc., and related assets from Medallion's principal stockholder. Medallion is a discount cigarette manufacturer headquartered in Richmond, Virginia.

Following the purchase of the Medallion stock, Vector Tobacco merged into Medallion and Medallion changed its name to Vector Tobacco Inc. The total purchase price for the Medallion shares and the related assets consisted of $50,000 in cash and $60,000 in notes, with the notes guaranteed by us and by Liggett. Of the notes, $25,000 bear interest at a 9.0% annual rate and mature $3,125 per quarter commencing July 1, 2002 and continuing through April 1, 2004. The remaining $35,000 of notes bear interest at 6.5% per year and mature on April 1, 2007.

VGR HOLDING. On May 14, 2001, VGR Holding issued at a discount $60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement. VGR Holding received net proceeds from the offering of approximately $46,500. On April 30, 2002, VGR Holding issued at a discount an additional $30,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement and received net proceeds of approximately $25,000. The notes were priced to provide purchasers with a 15.75% yield to maturity. The notes are on the same terms as the $60,000 principal amount of senior secured notes previously issued. All $90,000 principal amount of the notes have been guaranteed by us and by Liggett.

The notes are collateralized by substantially all of VGR Holding's assets, including a pledge of VGR Holding's equity interests in its direct subsidiaries, including Brooke Group Holding, Brooke (Overseas) Ltd., Vector Tobacco and New Valley Holdings, Inc., as well as a pledge of the shares of Liggett and all of the New Valley securities held by VGR Holding and New Valley Holdings. The purchase agreements for the notes contain covenants, which among other things, limit the ability of VGR Holding to make distributions to Vector to 50% of VGR Holding's net income, unless VGR Holding holds $75,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of VGR Holding, Liggett and Vector Tobacco to 250% of EBITDA (as defined in the purchase agreements) for the trailing 12 months plus an

additional amount of up to $75,000 during the 12 month period ending March 31, 2003, restrict transactions with affiliates subject to exceptions which include payments to us not to exceed $9,500 per year for permitted operating expenses, and limit the ability of VGR Holding to merge, consolidate or sell certain assets.

Prior to May 14, 2003, VGR Holding may redeem up to $31,500 of the notes at a redemption price of 100% of the principal amount with proceeds from one or more equity offerings. VGR Holding may redeem the notes, in whole or in part, at a redemption price of 100% of the principal amount beginning May 14, 2003. During the term of the notes, VGR Holding is required to offer to repurchase all the notes at a purchase price of 101% of the principal amount, in the event of a change of control, and to offer to repurchase notes, at 100% of the principal amount, with the proceeds of material asset sales.

VECTOR. We believe that we will continue to meet our liquidity requirements through 2002. Corporate expenditures (exclusive of Liggett, Vector Research, Vector Tobacco and New Valley) over the next twelve months for current operations include cash interest expense of approximately $17,500, dividends on our outstanding shares (currently at an annual rate of approximately $53,500) and corporate expenses. We anticipate funding our expenditures for current operations with available cash resources, proceeds from public and/or private debt and equity financing, management fees from subsidiaries and tax sharing and other payments from Liggett or New Valley. New Valley may acquire or seek to acquire additional operating businesses through merger, purchase of assets, stock acquisition or other means, or to make other investments, which may limit its ability to make such distributions.

In July 2001, we completed the sale of $172,500 (net proceeds of approximately $166,400) of our 6.25% convertible subordinated notes due 2008 through a private offering to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933. The notes pay interest at 6.25% per annum and are convertible into our common stock, at the option of the holder. The conversion price, which was $33.26 at May 14, 2002, is subject to adjustment for various events, and any cash distribution on our common stock results in a corresponding decrease in the conversion price. Following the conversion of $40,000 principal amount of our convertible notes in December 2001, $132,500 principal amount of the convertible notes were outstanding.

MARKET RISK

We are exposed to market risks principally from fluctuations in interest rates, foreign currency exchange rates and equity prices. We seek to minimize these risks through our regular operating and financing activities and our long-term investment strategy.

The market risk management procedures of us and New Valley cover all market risk sensitive financial instruments. We held investment securities available for sale totaling $174,440 at March 31, 2002. Adverse market conditions could have a significant effect on the value of these investments.

New Valley also holds long-term investments in limited partnerships and limited liability companies. These investments are illiquid, and their ultimate realization is subject to the performance of the investee entities.

NEW ACCOUNTING PRONOUNCEMENTS

During 2000, the Emerging Issues Task Force issued EITF No. 00-14, "Accounting for Certain Sales Incentives", EITF Issue No. 00-14 addresses the recognition, measurement and statement of operations classification for certain sales incentives and became effective in the first quarter of 2002. As a result,

certain items previously included in operating, selling, general and administrative expense in the consolidated statement of operations have been recorded as a reduction of operating revenues. We have determined that the impact of adoption or subsequent application of EITF Issue No. 00-14 did not have a material effect on our consolidated financial position or results of operations. Upon adoption, prior period amounts, which were not significant, have been reclassified to conform to the new requirements.

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 requires that certain expenses included in operating, selling, administrative and general expenses be recorded as a reduction of operating revenues and was effective in the first quarter of 2002. As discussed above under "Critical Accounting Policies", adoption of EITF Issue No. 00-25 has resulted in a significant reduction of revenues offset by a corresponding reduction in operating, selling, administrative and general expenses. For comparative purposes, prior period amounts have been reclassified from operating, selling, administrative, and general expenses to a reduction of revenues. The adoption of EITF 00-25 did not impact the Company's consolidated financial position, operating income, or net income.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, and SFAS No. 142 is effective for fiscal years beginning after December 15, 2001.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and requires (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have an impact on our consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We and our representatives may from time to time make oral or written "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995, including any statements that may be contained in the foregoing discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this report and in other filings with the Securities and Exchange Commission and in our reports to stockholders, which reflect our expectations or beliefs with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties and, in connection with the "safe-harbor" provisions of the Private Securities Reform Act, we have identified under "Risk Factors" in Item 1 above important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of us.

Results actually achieved may differ materially from expected results included in these forward-looking statements as a result of these or other

factors. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" is incorporated herein by reference.

PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Reference is made to Note 6, incorporated herein by reference, to our consolidated financial statements included elsewhere in this Report on Form 10-Q which contains a general description of certain legal proceedings to which Brooke Group Holding, VGR Holding, New Valley or their subsidiaries are a party and certain related matters. Reference is also made to Exhibit 99.1, Material Legal Proceedings, for additional information regarding the pending smoking-related material legal proceedings to which Brooke Group Holding and/or Liggett are party. A copy of Exhibit 99.1 will be furnished to holders of our securities and the securities of subsidiaries without charge upon written request to us at our principal executive offices, 100 S.E. Second St., Miami, Florida 33131, Attn. Investor Relations.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

No securities of ours which were not registered under the Securities Act of 1933, as amended, have been issued or sold by us during the three months ended March 31, 2002, except for grants of stock options to employees of us and/or our subsidiaries. The foregoing transactions were effected in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.1 Second Amendment to Note Purchase Agreement and New Note Purchase Agreement, dated as of April 30, 2002, between VGR Holding Inc. and TCW High Income Partners, Ltd., TCW High Income Partners II, Ltd., Pioneer High Yield Cayman Unit Trust, TCW Shared Opportunity Fund III, L.P., TCW Leveraged Income Trust IV, L.P., TCW Leveraged Income Trust, L.P., TCW Leveraged Income Trust II, L.P., TCW LINC III CBO Ltd., POWRs 1997-2, Captiva II Finance Ltd. and AIMCO CDO, Series 2000-A (the "Purchasers"), relating to the 10% Senior Secured Notes due March 31, 2006 (the "Notes"), including the amended form of Note (the "Amended Note Purchase Agreement").

10.2 Second Amendment to Collateral Agency Agreement, dated as of April 30, 2002, by and among VGR Holding Inc., Brooke Group Holding Inc., Vector Group Ltd., New Valley Holdings, Inc., Liggett Group Inc., The Bank of New York, as collateral agent for the benefit of the holders of the Notes pursuant to the Amended Note Purchase Agreement (the "Collateral Agent"), and the Purchasers.

10.3 Amendment to Pledge and Security Agreement, dated as of April 30, 2002, between VGR Holding Inc. and the Collateral Agent.

10.4 Amendment to Pledge and Security Agreement, dated as of April 30, 2002, between New Valley Holdings, Inc. and the Collateral Agent.

10.5 Amendment to Pledge and Security Agreement, dated as of April 30, 2002, between Brooke Group Holding Inc. and the Collateral Agent.

10.6 Amended and Restated Guarantee, Acknowledgment and Pledge Agreement, dated as of April 30, 2002, between Vector Group Ltd., the Collateral Agent and the Holders.

10.7	Guarantee, dated as of April 30, 2002, by Liggett Group Inc. in favor of the Collateral Agent.
10.8	Vector Group Ltd. Supplemental Executive Retirement Plan.
99.1	Material Legal Proceedings.
*99.2	New Valley Corporation's Interim Consolidated Financial Statements for the quarterly periods ended March 31, 2002 and 2001 (incorporated by reference to New Valley's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, Commission File No. 1-2493).

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* Incorporated by reference

(b) REPORTS ON FORM 8-K

The Company filed the following Reports on Form 8-K during the first quarter of 2002:

DATE	ITEMS	FINANCIAL STATEMENTS
January 4, 2002	2, 5, 7	None
February 21, 2002	5, 7	None
March 11, 2002	5, 7	None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

VECTOR GROUP LTD.

(REGISTRANT)

By: /s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President and Chief
Financial Officer

Date: May 15, 2002

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT
AND NEW NOTE PURCHASE AGREEMENT

This Second Amendment to Note Purchase Agreement and New Note Purchase Agreement is dated as of April 30, 2002 (this "Amendment and Purchase Agreement") and amends the Note Purchase Agreement, dated as of May 14, 2001 and amended as of November 6, 2001 (the "Note Purchase Agreement"), by and among (i) VGR Holding Inc. (formerly known as BGLS Inc.), a Delaware corporation (the "Company"), (ii) the signatories hereto who collectively are the Majority Holders as defined in the Note Purchase Agreement without giving effect to this Amendment and Purchase Agreement and (iii) the signatories listed on Schedule A hereto (the "New Purchasers"). Capitalized terms used in this Amendment and Purchase Agreement and not defined in this Amendment and Purchase Agreement shall have the meanings ascribed thereto in the Note Purchase Agreement as amended by this Amendment and Purchase Agreement.

WHEREAS, the New Purchasers wish to purchase $30,000,000 of Notes (the "New Notes"), and the Company is willing to issue the New Notes to the New Purchasers pursuant to the terms and conditions hereof; and

WHEREAS, the Company and the Majority Holders desire to amend the Note Purchase Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENTS TO NOTE PURCHASE AGREEMENT.

a. Section 1. Section 1 of the Note Purchase Agreement is hereby amended by deleting the first sentence thereof and inserting in lieu thereof the following:

"The Company will authorize the issue and sale of $90,000,000 aggregate principal amount of its 10% Senior Secured Notes Due March 31, 2006 (the "NOTES", such term to include any such Notes issued in substitution therefore pursuant to Section 14 of this Agreement)."

b. Section 3. Section 3 of the Note Purchase Agreement is hereby amended by deleting the first sentence thereof in its entirety and inserting in lieu thereof the following:

"The sale and purchase of $60,000,000 in aggregate principal amount of the Notes shall occur at the offices of Milbank, Tweed, Hadley & McCloy LLP, 601 South Figueroa Street, 30th Floor, Los Angeles, California 90017, at 9:00 a.m., Los Angeles time, at a closing (the "CLOSING") on May 14, 2001."

c. Section 5.2. Section 5.2 of the Note Purchase Agreement is hereby amended by deleting Section 5.2 in its entirety and inserting in lieu thereof the following:

"5.2 Authorization, etc.

Each Note Document has been duly authorized by all necessary corporate action on the part of each Document Party party thereto, and each Note Document (other than each Note), and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of each Document Party party thereto enforceable against such Document Party in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)."

d. Section 7.2. Section 7.2 of the Note Purchase Agreement is hereby amended by deleting Section 7.2 in its entirety and inserting in lieu thereof the following:

"7.2 OPTIONAL PREPAYMENTS.

(a) Before May 14, 2003, the Company may on any one or more occasions redeem up to 35% of the $90,000,000 of aggregate principal amount of Notes issued under this Agreement in amounts equal to $1,000,000 or integral multiples thereof at a redemption price of 100% of the aggregate principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more (x) Equity Offerings or (y) Vector Equity Offerings of an amount not less than $5,000,000; provided that:

(i) at least 65% of the aggregate principal amount of Notes issued under this Agreement remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries); and

(ii) the redemption must occur within forty-five (45) days of the date of the closing of the Equity Offering or Vector Equity Offering, as the case may be.

(b) From and after May 14, 2003, the Company may, at its option, upon notice as provided below, prepay at any time all, or part of, the Notes, in an amount not less than, in the case of a partial prepayment, the lesser of (x) $5,000,000 and (y) the aggregate principal amount of the Notes then outstanding, at a prepayment price of 100% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, to the applicable prepayment date.

The Company will give each Holder written notice of each prepayment under this Section 7.2 not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount and applicable Prepayment Premium of the Notes to be prepaid on such date, the principal amount and applicable Prepayment Premium of each Note held by such Holder to be prepaid and the interest to be paid on the prepayment date with respect to such principal amount being prepaid. Two Business Days prior to such prepayment, the Company shall deliver to each Holder whose Notes are to be redeemed an Officers'

Certificate specifying the calculation of the interest to be paid to such Holder as of the specified prepayment date."

e. Section 7.4. Section 7.4 of the Note Purchase Agreement is hereby amended by deleting Section 7.4 in its entirety and inserting in lieu thereof the following:

"7.4 MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 7, Section 8.24 or Section 8.25, the principal amount and the applicable Prepayment Premium, if any, of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on the related principal amount accrued to such date. From and after such date, unless the Company shall fail to pay such principal amount or Prepayment Premium, if any, when so due and payable, together with the interest, if any, as aforesaid, interest on the related principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note."

f. Section 7.6. Each Holder party to this Amendment and Purchase Agreement agrees that with respect to it and its successors Section 7.6 of the Note Purchase Agreement is hereby amended by deleting Section 7.6 in its entirety.

g. Section 8.3. Section 8.3 of the Note Purchase Agreement is hereby amended by deleting such section in its entirety and inserting the following in lieu thereof:

8.3 LIMITATIONS ON RESTRICTED PAYMENTS.

At any time that the Company does not hold the Required Cash Holdings on the BGLS Balance Sheet, the Company shall not, and shall not permit any of its Restricted Subsidiaries or Designated Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company) (other than dividends or distributions payable in Equity Interests (other than Disqualified Equity Interests) of the Company or dividends or distributions payable to the Company, any Restricted Subsidiary or any Designated Subsidiary); (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company or other Affiliate or Subsidiary of the Company (other than any such Equity Interests owned by the Company or any Restricted Subsidiary of the Company); (iii) make any payment (other than regularly scheduled interest payments) on or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness (including, without limitation, pay any amount owed under any guarantee of the obligations of another Person) (other than the Notes) that is subordinated to or pari passu with the Notes (unless, in the case of pari passu Indebtedness only, such purchase, redemption, defeasance, acquisition, or retirement is made, or offered (if applicable), pro rata with the Notes), except for any scheduled repayment or at the final maturity thereof;

(iv) make any Restricted Investment, (v) pay any Expected Postretirement Benefit Obligations in excess of $1,000,000 in any Purchase Agreement Year or (vi) make any payment (including, without limitation, the payment of any Shadow Dividends), transfer any assets or provide any services in an Affiliated Transaction with Vector or any Affiliate of Vector (including, without limitation, any Unrestricted Subsidiary, but excluding the Company, a Restricted Subsidiary or, to the extent set forth in Section 22.11(d) a Designated Subsidiary) or any Affiliated Senior Manager other than Permitted Vector Expenses in any Purchase Agreement Year in excess of the sum of (x) $9,500,000 and (y) the amount of Excess Interest Income received during such Purchase Agreement Year (all such payments and other actions set forth in clauses (i) through (vi) above being collectively referred to as "RESTRICTED PAYMENTS"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) the Leverage Ratio, after giving pro forma effect to such Restricted Payment, is less than (i) 2.25 to 1.00, if such Restricted Payment is to be made on or prior to June 30, 2002 and (ii) 2.00 to 1.00, if such Restricted Payment is to be made after June 30, 2002; and

(c) either, at the election of the Company, (i) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries and its Designated Subsidiaries beginning on the first day of the most recent fiscal quarter commencing after the most recent Drop-Below Date (excluding Restricted Payments permitted below), is less than the sum of (x) 50% of the Consolidated Net Income (adjusted to exclude any amounts that are otherwise included in this clause (c)(i) to the extent there would be, and to avoid, any duplication in the crediting of any such amounts) of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the most recent Drop-Below Date to the end of the Company's most recently ended fiscal quarter thereafter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (y) to the extent that any Restricted Investment that was made after the most recent Drop-Below Date is sold for cash or otherwise liquidated or repaid for cash, the amount of net proceeds received by the Company or a Restricted Subsidiary with respect to such Restricted Investment; or

(ii) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries and its Designated Subsidiaries, beginning on the first day of the Drop-Below Quarter (excluding Restricted Payments permitted below), is less than the sum of (x) 50% of the Consolidated Net Income (adjusted to exclude any amounts that are otherwise included in this clause (c)(ii) to the extent there would be, and to avoid, any duplication in the crediting of any such amounts) of the Company for the period (taken as one accounting period) from the beginning of the Drop-Below Quarter to the end of the Company's most recently ended fiscal quarter thereafter for which internal financial statements are

available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (y) to the extent that any Restricted Investment that was made after the most recent Drop-Below Date is sold for cash or otherwise liquidated or repaid for cash, the amount of net proceeds received by the Company or a Restricted Subsidiary with respect to such Restricted Investment;

provided, however, that when calculating the amount of the Restricted Payments that may be made subsequent to any Drop-Below Date, the Company shall elect whether to use clause (c)(i) or clause (c)(ii) prior to or on the date that financial statements for the Drop-Below Quarter are delivered to the Holders pursuant to Section 8.9 and so indicate such election in an Officer's Certificate delivered to the Holders with such financial statements, and the Company shall use clause (c)(i) or clause (c)(ii) to calculate the amount of permissible Restricted Payments as so elected until the next succeeding date on which the Company maintains the Required Cash Holdings on the BGLS Balance Sheet.

The Company, its Restricted Subsidiaries and its Designated Subsidiaries shall be prohibited from making any Restricted Payments during any Black-Out Period. Within fifteen (15) days of the end of any fiscal quarter of the Company during which a Drop-Below Date occurs and Company does not have Required Cash Holdings on the BGLS Balance Sheet on the last day of such fiscal quarter, the Company shall deliver to each Holder an Officer's Certificate (i) acknowledging that the Company, its Restricted Subsidiaries and its Designated Subsidiaries may not make Restricted Payments except in compliance with the preceding paragraph until it once again maintains the Required Cash Holdings on the BGLS Balance Sheet and (ii) warranting that no Restricted Payments were made during any Black-Out Period during such most-recently ended fiscal quarter.

The foregoing provisions shall not prohibit the following:

(i) Permitted Payments,

(ii) payments permitted pursuant to Section 9.3(a), and

(iii) the distribution of the proceeds of the New Notes, net of attorneys' fees, investment banking fees, accountants' fees and other fees and expenses incurred in connection with the issuance of the New Notes, to Vector.

The amount of all Restricted Payments (other than cash) shall be the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Holders) on the date of the Restricted Payment of the asset(s) proposed to be transferred or services proposed to be provided by the Company, a Restricted Subsidiary or a Designated Subsidiary, as the case may be, pursuant to the Restricted Payment. If the Company does not have the Required Cash Holdings on the BGLS Balance Sheet at the time of making any Restricted Payment, not later than the date of making any Restricted Payment, the Company shall deliver to the Holders an Officers' Certificate stating that such Restricted Payment is permitted and setting forth

the basis upon which the calculations required by this Section 8.3 were computed, which calculations may be based upon the Company's latest available financial statements.

h. Section 8.4. Section 8.4(a) of the Note Purchase Agreement is hereby amended by deleting Section 8.4(a) in its entirety and inserting in lieu thereof the following:

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, incur Indebtedness other than Indebtedness owed to the Company or any Restricted Subsidiary, unless on the date of the incurrence of such Indebtedness:

(1) the Leverage Ratio is less than 2.50 to 1 after giving pro forma effect to the incurrence of such Indebtedness; provided, however, that for purposes of calculating Leverage Ratio compliance for this Section 8.4(a)(1) only (i) Permitted Brands Restructuring Charges shall be added to Consolidated EBITDA for any Reference Period during which such Permitted Brands Restructuring Charges are actually incurred and (ii) the term "Restricted Subsidiaries" shall be deemed not to include "Designated Subsidiaries" except that any Indebtedness of a Designated Subsidiary other than Indebtedness incurred in accordance with Section 22.11(e) shall be included in the numerator of the Leverage Ratio for the purposes of the calculation thereof pursuant to this Section 8.4(a)(1); and

(2) no Default or Event of Default shall have occurred or be continuing or would occur as a consequence thereof.

i. Section 8.4 Section 8.4 of the Note Purchase Agreement is hereby amended by adding the following paragraph (f) thereto:

(f) During the period commencing on April 1, 2002 and ending on March 31, 2003, Section 8.4(a) shall not prohibit the Company and its Restricted Subsidiaries from incurring Indebtedness in an aggregate amount not exceeding $75,000,000 at any one time outstanding (in addition to Indebtedness otherwise permitted to be incurred under this Agreement); provided, however, that on April 1, 2003 either (i) the Leverage Ratio shall be less than 2.50 to 1 or (ii) Indebtedness equal to the amount incurred pursuant to this Section 8.4(f) shall have been repaid, extinguished or otherwise retired.

j. Section 8.5. Section 8.5 is hereby amended by deleting Section 8.5 in its entirety and inserting in lieu thereof the following:

8.5 LIMITATION ON TRANSACTIONS WITH AFFILIATES AND INVESTMENTS.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries or Designated Subsidiaries to engage, directly or indirectly, in any Affiliated Transaction with an Affiliate of the Company except (i) any direct payment to or reimbursement of Vector or any Affiliated Senior Manager by the Company or any of its Restricted Subsidiaries or Designated Subsidiaries of Permitted Vector Expenses not exceeding in the aggregate in any Purchase Agreement Year the sum of (x) $9,500,000 and (y) the amount of Excess Interest Income received during such Purchase Agreement

Year, (ii) as contemplated in Section 8.5(b) or (c), (iii) any transaction between any Restricted Subsidiaries, (iv) any transaction between any Designated Subsidiaries, (v) any transaction between the Company and any Restricted Subsidiary and (vi) any transaction between the Company or any Restricted Subsidiary and any Designated Subsidiary permitted pursuant to Section 22.11(d); provided, however, that the Company, its Restricted Subsidiaries and its Designated Subsidiaries may enter into Affiliated Transactions with Unrestricted Subsidiaries so long as (I) the Company, such Restricted Subsidiary or such Designated Subsidiary would be permitted to do so pursuant to Section 8.3, (II) such Affiliated Transaction is fair to the Company, such Restricted Subsidiary or such Designated Subsidiary from a financial point of view as evidenced by a resolution of the Board of Directors of the Company, such Restricted Subsidiary or such Designated Subsidiary and (III) in the event the amount of such Affiliated Transaction is in excess of $3,000,000, the Company, such Restricted Subsidiary or such Designated Subsidiary shall have received an opinion of a Designated Investment Bank that such Affiliated Transaction is fair to the Company, such Restricted Subsidiary or such Designated Subsidiary from a financial point of view. The Company shall not permit any of its Unrestricted Subsidiaries to engage, directly or indirectly, in any Affiliated Transaction with a person controlled by the Company (other than (i) any Unrestricted Subsidiary or (ii) the Company, any Restricted Subsidiary or any Designated Subsidiary to the extent permitted by the preceding sentence) unless the terms of such Affiliated Transaction are no less favorable to such Unrestricted Subsidiary than would have been obtainable in an arms-length transaction with unrelated persons. The Company shall not, and shall not permit any Restricted Subsidiary to, engage, directly or indirectly, in any Affiliated Transaction with a person controlled by the Company (other than (i) another Restricted Subsidiary or the Company, (ii) an Unrestricted Subsidiary to extent permitted by the first sentence of this Section 8.5(a) or (iii) a Designated Subsidiary pursuant to Section 22.11(d)). The Company shall not permit any Designated Subsidiary to engage, directly or indirectly, in any Affiliated Transaction with a Person controlled by the Company (other than (i) another Designated Subsidiary, (ii) a Restricted Subsidiary in accordance with Section 22.11(d) or (iii) an Unrestricted Subsidiary to the extent permitted by the first sentence of this Section 8.5(a)). The Company shall not, and shall not permit any Restricted Subsidiary to make, directly or indirectly, an Investment in an Affiliate of the Company (other than the Company or another Restricted Subsidiary); provided, however, that the Company and its Restricted Subsidiaries may make Investments in Unrestricted Subsidiaries to the extent permitted by Section 8.3. The Company shall not permit any Designated Subsidiary to make, directly or indirectly, an Investment in an Affiliate of the Company (other than another Designated Subsidiary).

(b) So long as any Notes remain outstanding, the Company shall not, and shall not permit any of its Restricted Subsidiaries or Designated Subsidiaries to, directly or indirectly, enter into any Affiliated Transaction with an Affiliated Senior Manager for consideration in excess of $100,000 in any Purchase Agreement Year (except as permitted by paragraph (a) above if such Affiliated Senior Manager had been an Affiliate of the Company or paragraph (c) below).

(c) The foregoing paragraphs (a) and (b) shall not prevent (i) the Company from making Restricted Payments in accordance with Section 8.3; (ii) the

Company and any of its Subsidiaries or Affiliates from entering into securities brokerage and securities underwriting transactions with subsidiaries of Ladenburg Thalmann Financial Services Inc. ("LTFS") at such subsidiary's usual and customary rates and on usual and customary terms, so long as such rates and terms are in accordance with securities industry practice for comparable brokerage firms; (iii) any Disposition of Assets effected in compliance with Section 10.1; (iv) payments of the type permitted pursuant to Section 9.3(a); (v) guarantees of Indebtedness of Subsidiaries of the Company by Vector; (vi) Vector from making capital contributions to the Company, (vii) the incurrence of Indebtedness by the Company and any Restricted Subsidiary owing to any Unrestricted Subsidiary so long as such Indebtedness is incurred in accordance with Section 8.4 and the total cost of capital to the Company or such Restricted Subsidiary of such Indebtedness is less than 12% per annum; provided, however, that the limitation contained in the foregoing clause (vii) on cost of capital to the Company or any Restricted Subsidiary shall be deemed not to include any Equity Interests in Vector or warrants for Equity Interests in Vector issued to an Unrestricted Subsidiary in connection with and as additional consideration for such Unrestricted Subsidiary extending such Indebtedness and (viii) the incurrence of Indebtedness by any Designated Subsidiary owing to Vector so long as such Indebtedness is incurred in accordance with Section 22.11 and the total cost of capital to such Designated Subsidiary of such Indebtedness is less than 12% per annum.

(d) Nothing in this Section 8.5 or anywhere else in this Agreement shall be deemed to prohibit the payment of dividends, tax sharing payments or management fees from Liggett to Brooke Holding or from Brooke Holding to the Company.

(e) The Company shall not, and shall not permit any Restricted Subsidiary or any Designated Subsidiary to, incur any Indebtedness owing to any Group Executive.

(f) In the event that any aircraft owned by the Company, any Restricted Subsidiary or any Designated Subsidiary is used by Vector or any Affiliate of Vector other than the Company, a Restricted Subsidiary or a Designated Subsidiary, Vector or such Affiliate of Vector shall compensate the Company, such Restricted Subsidiary or such Designated Subsidiary, as the case may be, for such use in an amount equal to the cost of such use.

(g) Nothing in this Agreement shall be deemed to prohibit a merger between New Valley or a wholly owned Subsidiary of New Valley and Vector or a wholly owned Subsidiary of Vector; provided, however, that such wholly owned subsidiary shall not be the Company or any successor to the Company pursuant to Section 10.1.

(h) Nothing in this Agreement shall be deemed to prohibit any guarantee of the obligations of any Document Party under any Note Document by Vector, the Company or any Subsidiary of the Company, including, without limitation, the Liggett Guarantee and the guarantee contained in the Vector Pledge Agreement.

k. Section 8.10. Section 8.10 of the Note Purchase Agreement is hereby amended by deleting Section 8.10 in its entirety and inserting in lieu thereof the following:

"8.10 WAIVER OF STAY, EXTENSION OR USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law or any usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest and Prepayment Premium (if any) on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Agreement; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted.

l. Section 8.24. Section 8.24 of the Note Purchase Agreement is hereby amended by deleting the first paragraph thereof in its entirety and inserting in thereof the following:

"Within thirty (30) days following the consummation of a Triggering Asset Sale, a Restricted Subsidiary Asset Sale if required by Section 8.29 or a Vector Equity Offering pursuant to Section 8.25, (the "AVAILABLE PROCEEDS OFFER DATE"), the Company shall make an offer to all Holders (an "AVAILABLE PROCEEDS OFFER") to apply the applicable Available Proceeds Offer Purchase Amount to the acquisition of Notes at a purchase price (the "AVAILABLE PROCEEDS OFFER PURCHASE PRICE") equal to 100% of the principal amount of the Notes to be purchased plus accrued interest to the Available Proceeds Purchase Date."

m. Section 8.25. Section 8.25 of the Note Purchase Agreement is hereby amended by deleting the first sentence of the first paragraph thereof and inserting in lieu thereof the following:

"In the event of a Change of Control, each Holder shall have the option to cause the Company to purchase the Notes held by such Holder in whole but not in part, at a price (the "CHANGE OF CONTROL PURCHASE PRICE") equal to 101% of the principal amount thereof, plus accrued interest to the date of purchase (which date shall be no less than twenty-five (25) Business Days and no more than fifty (50) Business Days following the delivery of notice to the Holders of such Change of Control) (the "CHANGE OF CONTROL PURCHASE DATE")."

n. Section 8.28. Section 8.28 of the Agreement is hereby amended by deleting Section 8.28 in its entirety and inserting the following in lieu thereof:

8.28 LIMITATION ON RELATED BUSINESS.

The Company shall not permit any Restricted Subsidiary or Designated Subsidiary to engage in any business other than a Related Business, and the Company shall not permit any of its Subsidiaries to engage in any Related Business unless such Subsidiary is a Restricted Subsidiary or a Designated Subsidiary.

o. Section 9.2. Section 9.2 of the Agreement is hereby amended by deleting Section 9.2 in its entirety and inserting the following in lieu thereof:

9.2 RELATED BUSINESS ACTIVITIES.

Vector shall not, and shall not permit any of its Affiliates or any Vector Expanded Affiliate, to engage in any Related Business except pursuant to Section 8.28.

p. Section 11. Section 11 of the Agreement is hereby amended by (i) deleting clause (2) in its entirety and inserting in lieu thereof the following: "(2) the Company defaults in the payment of the principal or Prepayment Premium on any Notes when the same becomes due and payable at maturity, upon acceleration, upon redemption, pursuant to Sections 7.2, 8.24 and 8.25 hereof or otherwise;"; (ii) deleting the word "or" at the end of clause (8), (ii) deleting the period at the end of clause (9) and inserting "; or" in lieu thereof and (iii) adding a new clause (10) to read as follows:

"(10) either or both (i) the guarantee contained in the Vector Pledge Agreement and/or (ii) the Liggett Guarantee shall cease for any reason, to be in full force and effect, or any Document Party or any Affiliate of a Document Party shall so assert.";

and (iv) by deleting the final paragraph thereof and inserting in lieu thereof the following:

A Default under clause (3), (4) or (8) above (other than any Defaults under Sections 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, the second paragraph of 8.16(a), 10.1 and 22.11 of this Agreement, which Defaults shall be Events of Default without the notice or passage of time specified in this paragraph) is not an Event of Default until the Majority Holders notify the Company, or, in the case of a Default under said clause (4), any Group Executive or Vector (as applicable) and the Company, of the Default, and the Company does not cure the Default within thirty (30) days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

q. Section 12.1 of the Note Purchase Agreement is hereby amended by deleting Section 12.1 in its entirety and inserting in lieu thereof the following:

"12.1 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 11(6) or (7) as a result of a case or proceeding in which the Company is the subject debtor) occurs and is continuing, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding may, by notice to the Company declare the principal amount and

accrued interest to the date of acceleration on the Notes then outstanding (if not then due and payable) to be and become due and payable and, upon any such declaration, the same shall be and become due and payable. If an Event of Default specified in Section 11(6) or (7) as a result of a case or proceeding in which the Company is the subject debtor occurs, the principal amount and accrued interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of any Holder. Except as otherwise provided in this Agreement, upon payment of the principal amount of and interest, together with any default interest, on the Notes all of the Company's obligations under the Notes and this Agreement shall terminate. The Majority Holders may rescind an acceleration and its consequences if (i) all existing Events of Default, other than the non-payment of the principal of, or the Prepayment Premium, if any, on, the Notes which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal or Prepayment Premium, which has become due otherwise than by such declaration of acceleration, has been paid and (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. No rescission of an acceleration under the preceding sentence shall extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

r. Section 15.1. Section 15.1 of the Note Purchase Agreement is hereby amended by deleting the first sentence of Section 15.1 in its entirety and inserting in lieu thereof the following:

"Subject to Section 15.2, payments of principal and interest and Prepayment Premium (if any) on the Notes becoming due and payable on the Notes shall be made in New York, New York at the principal office of The Bank of New York in such jurisdiction."

s. Section 15.2. Section 15.2 of the Note Purchase Agreement is hereby amended by deleting the first sentence of Section 15.2 in its entirety and inserting in lieu thereof the following:

"So long as you or your nominee shall be the Holder of any Note, and notwithstanding anything contained in Section 15.1 or in such Note to the contrary, the Company shall pay all sums becoming due on such Note for principal of and interest and Prepayment Premium (if any) on the Notes by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 15.1."

t. Section 18.1. Section 18.1 of the Note Purchase Agreement is hereby amended by deleting the first and second sentences thereof and inserting in lieu thereof the following:

Subject to Section 18.4 and the consent of the Collateral Agent or any depositary bank if required under any Note Document, with the consent of the Majority Holders by written act of said holders delivered to the Company, the Company and the Majority Holders may amend or supplement any Note Document for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of any Note Document or of modifying in any manner the rights of the Holders under such Note Document, including, without limitation, subordinating (i) any Lien on Collateral held by or for the benefit of the Holders and (ii) any right to payment under any Note Document. Subject to Section 18.4 and the consent of the Collateral Agent or any depositary bank if required under any Security Agreement, the Majority Holders may waive compliance by the Company with any provision of any Note Document.

u. Section 18.1. Each Holder party to this Amendment and Purchase Agreement agrees that with respect to it and its successors Section 18.1 of the Note Purchase Agreement is hereby amended by deleting clauses (v) and (viii) of the third sentence thereof and inserting in lieu thereof the following:

"(v) waive a Default in the payment of the principal of or interest on Prepayment Premium, if any, with respect to any Note;

(viii) make the principal of or interest or Prepayment Premium, if any, on any Note payable with anything other than U.S. Legal Tender."

v. Section 18.4. Each Holder party to this Amendment and Purchase Agreement agrees that with respect to it and its successors Section 18.4 of the Note Purchase Agreement is hereby amended by deleting Section 18.4 in its entirety and inserting in lieu thereof the following:

"18.4 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Agreement, the right of any Holder to receive payment of principal or interest and Prepayment Premium, if any, on the Notes or after the respective due dates expressed in this Agreement and in the Notes or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

w. Section 22.5. Section 22.5 of the Note Purchase Agreement is hereby amended by deleting Section 22.5 in its entirety and inserting in lieu thereof the following:

"22.5 PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of and interest and Prepayment Premium (if any) on the Notes that is due on a date other than a Business Day shall be made on the next succeeding Business Day without

including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

x. Section 22.11. Section 22.11 is hereby added to the Note Purchase Agreement as follows:

"22.11 DESIGNATED SUBSIDIARIES.

(a) At any time after March 1, 2003, the Company may designate any Restricted Subsidiary other than (i) Brooke Holding, (ii) Liggett or any Subsidiary of Liggett or (iii) Brands or any Subsidiary of Brands as a Designated Subsidiary so long as:

(1) such Designated Subsidiary has earned negative EBITDA for the most recently ended Reference Period for which financial statements are available with "EBITDA" to be calculated with respect to such Designated Subsidiary and its Subsidiaries as "Consolidated EBITDA" is calculated for the Company and its Restricted Subsidiaries; and

(2) neither such Designated Subsidiary nor any of its Subsidiaries owns, either on the date of designation or at any time thereafter, any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of such Designated Subsidiary or otherwise an Unrestricted Subsidiary or Designated Subsidiary.

(b) Prior to the effectiveness of any Restricted Subsidiary's designation as a Designated Subsidiary, the Company shall deliver an Officer's Certificate to the Majority Holders certifying that the conditions set forth in Section 22.11(a) to be satisfied as of the date of designation have been satisfied. Such Officers' Certificate shall include calculations with respect to the condition set forth in Section 22.11(a)(1) in form and substance reasonably satisfactory to the Majority Holders.

(c) Upon any Designated Subsidiary's designation as such, all Subsidiaries of such Designated Subsidiary shall be deemed Designated Subsidiaries.

(d) If a Designated Subsidiary is a party to the Master Settlement Agreement and has an MSA Market Share Exemption greater than zero, then such Designated Subsidiary must engage in a Related Business and use commercially reasonable efforts to achieve and maintain a Market Share equal to or in excess of its MSA Market Share Exemption. The Company and any Restricted Subsidiary may make payments, transfer assets and provide services to such Designated Subsidiary to the extent necessary to enable such Designated Subsidiary to comply with the foregoing sentence so long as the amount of consideration received by the Company or such Restricted Subsidiary is equal to the amount of payments made to such Designated Subsidiary or the actual cost of assets transferred or services provided to such Designated Subsidiary. True and complete copies of all contracts, agreements and arrangements or invoices evidencing any

transaction in excess of $500,000 between such Designated Subsidiary and the Company or a Restricted Subsidiary shall be delivered to the Majority Holders.

(e) At all times after designation of a Designated Subsidiary, the Company shall not permit such Designated Subsidiary or any of its Subsidiaries to incur any Indebtedness other than Indebtedness owed to Vector as to which in each case:

(1) neither the Company nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company (other than the Notes) or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity;

(3) the terms of which result in there being no recourse against any of the assets of the Company or its Restricted Subsidiaries; and

(4) is contractually subordinated in form and substance reasonably satisfactory to the Majority Holders to any Indebtedness owed by such Designated Subsidiary to the Company or any Restricted Subsidiary.

(f) All Designated Subsidiaries shall be deemed Restricted Subsidiaries for purposes of (i) subject to Section 8.4(a)(1), calculation of Consolidated Net Income, Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Leverage Ratio and (ii) Sections 8.16, 8.18, 8.20, 8.26, 8.29, 8.30, 11 and 13.11.

y. Schedule A. Schedule A of the Note Purchase Agreement is hereby amended by adding Schedule A to this Amendment and Purchase Agreement.

z. Schedule B. Schedule B of the Note Purchase Agreement is hereby amended by

i. with respect to each Holder party to this Amendment and Purchase Agreement and its successors, deleting the definitions of "Accreted Value" and "Accreted Value Premium" in their entirety;

ii. amending the following definitions in their entirety to read as follows:

"'ACCOUNT NOTICE EVENT' means (i) the Company defaults in payment of interest on any Notes when the same becomes due and payable and the default continues for a period of thirty (30) days, (ii) the Company defaults in the payment of the principal of, or Prepayment Premium, if any, on, any Notes when the same becomes due and payable at maturity or upon redemption, pursuant to Sections 7.2, 8.24 or 8.25, (iii) a Non-Grace Period Covenant Acceleration Default shall have occurred and be continuing,

(iv) an Other Obligation Payment Default or an Other Obligation Acceleration Default shall have occurred and be continuing, provided, however, that an Other Obligation Payment Default or Other Obligation Acceleration Default shall not constitute an Account Notice Event unless one or more Other Obligation Payment Defaults and Other Obligation Acceleration Defaults shall have occurred and be continuing with respect to Other BGLS Group Debt the outstanding principal amount of which exceeds in the aggregate $5,000,000, or (v) any Person (other than the Collateral Agent) shall have commenced the enforcement or foreclosure of any Lien of such Person on the Securities Account.

'CONSOLIDATED EBITDA' means, with respect to the Company for any period, without duplication, Consolidated Net Income of the Company for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) Consolidated Income Taxes, (b) Consolidated Interest Expense, (c) consolidated depreciation expense of the Company and its Restricted Subsidiaries, (d) consolidated amortization of intangibles (including, but not limited to, goodwill) of the Company and its Restricted Subsidiaries and (e) any other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period not included in the calculation); and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (x) interest income; provided, however, that in the event the Company holds on the BGLS Balance Sheet an Average Weekly Cash Balance in excess of $75,000,000 for such period, the Company shall not be required to exclude Excess Interest Income, (y) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such periods, gains on the sales of assets outside of the ordinary course of business) and (z) any other non-cash income except the amount of any non-cash charge to Consolidated Net Income for a Tobacco Litigation Expense which non-cash charge is later reversed, all as determined on a consolidated basis for the Company and its Restricted Subsidiaries. For the purposes of calculating Consolidated EBITDA for any Reference Period (i) if at any time since the commencement of such Reference Period the Company or one of its Restricted Subsidiaries shall have made any Material Disposition, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such Reference Period and (ii) if at any time since the commencement of such Reference Period, the Company or one of its Restricted Subsidiaries shall have made a Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period provided, however, that, notwithstanding the foregoing, the pro forma effect of the acquisition of The Medallion Company Inc. shall be measured by adding to Consolidated EBITDA (i) $18,000,000 for any Reference Period ending between April 1, 2002 and June 30, 2002, (ii) $13,500,000 for any Reference Period ending between July 1, 2002 and September 30, 2002, (iii) $9,000,000 for any Reference Period ending between October

1, 2002 and December 31, 2002 and (iv) $4,500,000 for any Reference Period ending between January 1, 2003 and March 31, 2003. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property that (a) constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the voting Equity Interests of a Person and (b) involves the payment of consideration by the Company and its Restricted Subsidiaries in excess of $1,000,000; and "Material Disposition" means any disposition of property or series of related dispositions of property (whether by lease, assignment, sale or otherwise) that yields gross proceeds to the Company or any of its Restricted Subsidiaries in excess of $1,000,000.

'DOCUMENT PARTY' means the Company, Brooke Holding, NV Holdings, Vector and Liggett.

'EXCESS INTEREST INCOME' means the product of (i) a fraction the (x) numerator of which is the difference (if positive) between (A) the Average Weekly Cash Balance for a Reference Period and (B) $75,000,000 and (y) the denominator of which is the Average Weekly Cash Balance for such Reference Period and (ii) the amount of interest income earned by the Company on Cash and cash equivalents that it holds during such Reference Period.

'NON-GRACE PERIOD COVENANT ACCELERATION DEFAULT' means the Company has defaulted on the payment of the principal of, any Notes when the same becomes due and payable as a result of an acceleration due to non-compliance with Sections 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, the second paragraph of 8.16(a), 10.1 and 22.11 of this Agreement.

'NON-RECOURSE INDEBTEDNESS' means Indebtedness:

(1) as to which neither the Company nor any Restricted Subsidiary nor any Designated Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company (other than the Notes), any Restricted Subsidiary or any Designated Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the terms of which result in there being no recourse against any of the assets of the Company, its Restricted Subsidiaries or its Designated Subsidiaries.

'NOTE DOCUMENTS' means this Agreement, the Security Agreements, the Liggett Guarantee, the New Note Purchase Agreement, the Liggett Subordination Agreement, the Notes and any other credit support documents not included in the foregoing that are entered into in connection with the Notes, including any subordination agreements or arrangements and other documentation required to be executed in connection therewith.

"OTHER BGLS GROUP DEBT" means any bond, debenture, note or other evidence of Indebtedness or any mortgage, indenture or other instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company, any Restricted Subsidiary or any Designated Subsidiary other than the Note Documents.

"OTHER OBLIGATION ACCELERATION DEFAULT" means the Company, or any Restricted Subsidiary, defaults on any Other BGLS Group Debt, and as a result of such default, such Indebtedness of the Company, such Restricted Subsidiary or such Designated Subsidiary, becomes due prior to its stated maturity, whether or not subordinated.

"OTHER OBLIGATION PAYMENT DEFAULT" means the Company, any Restricted Subsidiary or any Designated Subsidiary, defaults in the payment of any principal of or interest on any Other BGLS Group Debt, and such default extends beyond any period of grace provided with respect thereto.

'REQUIRED CASH HOLDINGS' means at least $75,000,000 in Cash or cash equivalents.

'RESTRICTED SUBSIDIARY' means, subject to Section 22.11, (i) Brooke Holding, (ii) any Liggett Subsidiary, (iii) VTUSA and any Subsidiary of VTUSA, (iv) Research and any Subsidiary of Research, (v) Brands and any Subsidiary of Brands and (vi) any Subsidiary of the Company that is acquired or formed after the date of this Agreement other than any Subsidiary of New Valley or Brooke Overseas.

'RELATED BUSINESS' means any business which is the same as or ancillary to the tobacco businesses of any Restricted Subsidiary as of April 29, 2002, including, without limitation, any New Tobacco Business.

"RESTRICTED SUBSIDIARY ASSET SALE" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) of Equity Interests of a Restricted Subsidiary or a Designated Subsidiary, property or other assets, including by way of a sale/leaseback transaction (each referred to for the purposes of this definition as a "disposition"), by any Restricted Subsidiary or Designated Subsidiary (including any disposition by means of merger, consolidation or similar transaction) other than (i) a disposition to any Restricted Subsidiary or the Company, (ii) a disposition of Property or assets in the ordinary course of business, (iii) dispositions of inventory in the ordinary course of business, (iv) a conveyance, sale, transfer, assignment or other

disposition covered by the definition of "Company Asset Sale" and (v) sales of obsolete or worn-out equipment.

'RETIREMENT OF RESTRICTED SUBSIDIARY INDEBTEDNESS' means the prepayment, repayment or purchase of Indebtedness of the Restricted Subsidiaries or Designated Subsidiaries, as the case may be, and in connection with any such prepayment, repayment or purchase of Indebtedness of Restricted Subsidiaries or Designated Subsidiaries, the retirement of such Indebtedness and the permanent reduction of the related loan commitment (if any) in the principal amount of the Indebtedness so prepaid, repaid or repurchased.

'UNRESTRICTED SUBSIDIARY' means any Subsidiary of the Company other than a Restricted Subsidiary or a Designated Subsidiary.

'VECTOR PLEDGE AGREEMENT' means the Amended and Restated Guarantee, Acknowledgment and Pledge Agreement, dated as of April 29, 2002, by and among Vector, the Collateral Agent and the Purchasers, as amended, modified and supplemented from time to time.

'VTUSA' means Vector Tobacco Inc., a Virginia corporation, and any successor thereto."

iii. adding the following definitions:

"'BRANDS' means Liggett Vector Brands Inc., a Delaware corporation, and any successor thereto.

'DESIGNATED SUBSIDIARY' means any Subsidiary of the Company designated as such pursuant to Section 22.11.

'LIGGETT GUARANTEE' means the Guarantee, dated as of April 29, 2002 made by Liggett in favor of the Purchasers.

'LIGGETT SUBORDINATION AGREEMENT' means the Subordination Agreement, dated as of April 29, 2002 by and among Congress Financial Corporation, the Collateral Agent and Liggett, as such agreement, may be amended, modified and supplemented from time to time.

'MARKET SHARE' shall have the meaning ascribed thereto in the Master Settlement Agreement.

'MEDALLION MERGER AGREEMENT' means the [Vector Tobacco/Medallion/VGR Acquisition Merger Agreement], as amended, modified and supplemented from time to time.

'MEDALLION PURCHASE AGREEMENT' means the Purchase and Sale Agreement, dated as of February 15, 2002, between VGR Acquisition Inc., The Medallion Company, Inc. and Gary L. Hall.

"MSA MARKET SHARE EXEMPTION' means with respect to any Subsequent Participating Manufacturer (as defined in the Master Settlement Agreement), the amount of Market Share above which such Subsequent Participating Manufacturer is required to make payments pursuant to Section IX(i) of the Master Settlement Agreement.

'NEW NOTE PURCHASE AGREEMENT' means the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement, dated as of April 29, 2002, by and among the Company, the Majority Holders and the New Purchasers (as defined therein).

'NEW NOTES' means the $30,000,000 in aggregate principal amount of Notes issued on April 29, 2002.

'NEW TOBACCO BUSINESS' means the development, promotion, production, transportation, distribution, marketing and sale of carcinogen-reduced or nicotine-reduced tobacco products.

'PERMITTED BRANDS RESTRUCTURING CHARGE' means the amounts actually incurred between January 1, 2002 and December 31, 2002 by the Company and the Restricted Subsidiaries in the capitalization, formation and organization of Brands for each of the actions set forth on Schedule D hereto in an amount not to exceed for any action the amount set forth opposite such action.

'PREPAYMENT PREMIUM' means the difference between (i) the percentage of principal amount at which a Note is to be purchased by the Company pursuant to Section 8.25 and (ii) 100%.

aa. Disclosure Schedules. Schedule 5.4, Schedule 5.5, Schedule 5.8, Schedule 5.15 and Schedule 5.23 to the Note Purchase Agreement are hereby amended as set forth on Schedule C attached to this Amendment and Purchase Agreement.

bb. Exhibit A. The form of Note attached to the Note Purchase Agreement as Exhibit A (an "Old Note Form"), is hereby amended by deleting such form of Note its in entirety and inserting in lieu thereof Exhibit A to this Purchase and Amendment Agreement (a "New Note Form"). Upon the request of any Holder holding a Note which is in the form of an Old Form Note, the Company shall execute and deliver a Note in the form of a New Form Note and shall cause Vector and Liggett to execute the guarantees contained in the New Form Note.

cc. Schedule D. Schedule D to this Amendment and Purchase Agreement is hereby added to the Note Purchase Agreement as Schedule D thereto.

2. SALE AND PURCHASE OF NEW NOTES. Subject to the terms and conditions of the Note Purchase Agreement as amended by this Amendment and Purchase Agreement, the Company shall issue and sell to the New Purchasers, and the New Purchasers shall purchase from the Company, at the Second Closing (as defined below) provided for in Section 3, New Notes in the principal amount specified opposite each New Purchaser's name in Schedule A at the purchase price of 85.3748% of the principal amount thereof. The obligations of each New Purchaser hereunder are several and not joint obligations.

3. SECOND CLOSING. The sale and purchase of the New Notes shall occur at the offices of Milbank, Tweed, Hadley & McCloy LLP, 601 South Figueroa Street, 30th Floor, Los Angeles, California 90017, at 9:00 a.m., Los Angeles time, at a closing (the "SECOND CLOSING") on April 29, 2002 or on such other Business Day thereafter on or prior to April 30, 2002 as may be agreed upon by the Company and the New Purchasers. At the Second Closing, the Company will deliver to each New Purchaser the New Notes to be purchased by such New Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such New Purchaser may request) dated the date of the Second Closing and registered in name of such New Purchaser (or in the name of its nominee), against delivery by such New Purchaser of immediately available funds in the amount of the purchase price therefor by wire transfer. If at the Second Closing the Company shall fail to tender such New Notes to each New Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to the satisfaction of the New Purchasers, the New Purchasers shall, at their election, be relieved of all further obligations under this Amendment and Purchase Agreement.

4. CONDITIONS TO EFFECTIVENESS. This Amendment and Purchase Agreement shall become effective and the New Purchasers shall be obligated to purchase the New Notes upon the satisfaction of each of the following conditions:

4.1 Representations and Warranties.

The representations and warranties of the Company in this Amendment and Purchase Agreement shall be correct in all material respects when made and at the time of the Second Closing (except to the extent that such representations and warranties speak as of an earlier date).

4.2 Performance; No Default.

Each Document Party shall have performed and complied with all agreements and conditions contained in the Note Documents required to be performed or complied with by it prior to or at the Second Closing, and on the date of the Second Closing after giving effect to the issue and sale of the New Notes, no Default or Event of Default shall have occurred and be continuing. As of the date of such Second Closing, none of Vector, the Company nor any of the Subsidiaries shall have entered into any transaction since September 30, 2001 in excess of $1,000,000, that would have been prohibited by Section 8.3, 8.4, 8.5 or 8.7 of the Note Purchase Agreement had such Section applied since such date.

4.3 Compliance Certificates.

(a) Officers' Certificate. The Company shall have delivered to the New Purchasers, the Majority Holders and the Collateral Agent an Officers' Certificate, dated the date of the Second Closing and substantially in the form of Exhibit 4.3(a) attached hereto, certifying that the conditions specified in this Section 4 have been fulfilled.

(b) Secretary's Certificate. Each Document Party shall have delivered to the New Purchasers, the Majority Holders and the Collateral Agent a certificate, dated the date of the

Second Closing and substantially in the form of Exhibit 4.3(b) attached hereto, certifying as to the organization documents, resolutions and good standing certificates attached thereto and other corporate proceedings relating to the authorization, execution and delivery of each Note Document to which it is a party.

4.4 Opinions of Counsel.

The New Purchasers, the Majority Holders and the Collateral Agent shall have received opinions in form and substance reasonably satisfactory to the New Purchasers, the Majority Holders and to the Collateral Agent, each dated the date of the Second Closing, from McDermott, Will & Emery, counsel for the Company, and Richard J. Lampen, Executive Vice President and Special Counsel of the Company, covering the matters set forth in Exhibit 4.4.

4.5 Purchase Permitted By Applicable Law, Consents of Third Parties, etc.

On the date of the Second Closing, the purchase of New Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which each New Purchaser or Majority Holder is subject, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject any New Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any New Purchaser or Majority Holder, such New Purchaser or Majority Holder, as the case may be, shall have received an Officers' Certificate from any Document Party certifying as to such matters of fact as it may reasonably specify to enable it to determine whether such purchase is so permitted. All consents of third parties, including without limitation, the consent of Congress Financial Corporation, necessary to consummate the transactions contemplated in the Note Documents shall have been obtained.

4.6 Payment of Certain Fees and Expenses.

Without limiting the provisions of Section 16.1 of the Note Purchase Agreement, the Company shall have paid on or before the Second Closing (i) a funding fee of $1,748,000 to the New Purchasers or their respective designees, pro rata, in proportion to the amount of New Notes to be purchased by each New Purchaser and (ii) the reasonable fees, charges and disbursements of Milbank, Tweed, Hadley & McCloy LLP, to the extent reflected in a statement of such counsel rendered to the Company prior to the Second Closing.

4.7 Changes in Corporate Structure.

No Document Party has changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall have succeeded to all or any substantial part of the liabilities of any other entity, at any time following September 30, 2001.

4.8 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by the Note Documents and all documents and instruments incident to such transactions shall be reasonably satisfactory to the New Purchasers and the Majority Holders, and

the New Purchasers and the Majority Holders shall have received all such counterpart originals or certified or other copies of such documents as the New Purchasers or the Majority Holders, as the case may be, may reasonably request.

4.9 Rating Letters.

The delivery to the New Purchasers and the Majority Holders of an Officers' Certificate of the Company to the effect that attached thereto is a true and correct copy of (i) a letter signed by Moody's Investors Service, Inc. confirming that the Notes have been rated at least B1 by Moody's Investors Service, Inc. and that such rating is in full force and effect on the date of Second Closing; and (ii) a letter signed by Standard & Poor's Ratings Services confirming that the Notes have been rated at least B by Standard & Poor's Ratings Services and that such ratings are in full force and effect on the date of Second Closing.

4.10 Credit Support Documents.

The Vector Pledge Agreement, the Liggett Guarantee and amendments to each of the BGLS Pledge Agreement, NV Holdings Pledge Agreement, Brooke Holding Pledge Agreement and the Collateral Agency Agreement, in form and substance satisfactory to the New Purchasers and the Majority Holders, shall have been duly executed and delivered by each Document Party party thereto.

4.11 Lien Searches.

The Purchasers shall have received the results of a recent Uniform Commercial Code lien search in each of the jurisdictions where each of the Document Parties is located within the meaning of Article 9 of the Uniform Commercial Code or where reasonably requested by any New Purchaser, and such search shall have revealed no Liens on any assets of a Document Party other than Permitted Liens on Collateral other than Pledged Stock and Cash and cash equivalents.

4.12 Financing Documents.

A true and complete copy of each Material financing document of Vector, the Company and the Restricted Subsidiaries shall have been delivered to the New Purchasers, and the Majority Holders accompanied by an Officer's Certificate to the effect that all such documents are true and complete copies of all Material financing documents, as amended, modified and supplemented through the date of the Second Closing, of Vector, the Company and the Restricted Subsidiaries.

4.13 Medallion Acquisition.

(a) True and complete copies of (i) the Medallion Purchase Agreement, (ii) the Two-Year Promissory Notes and Five-Year Promissory Notes (as each is defined in the Medallion Purchase Agreement), (iii) the guarantees issued by Liggett and Vector in favor of the payees of the Two-Year Promissory Notes and Five-Year Promissory Notes (the "Medallion Financing Guarantees") and (iv) the Medallion Merger Agreement shall have delivered to the New Purchasers and the Majority Holders, accompanied by an Officer's Certificate to the effect

that such agreement or note is a true and complete copy thereof, as amended, modified and supplemented through the date hereof.

(b) The Company shall have delivered to the New Purchasers and the Majority Holders an Officer's Certificate setting forth in reasonable detail the calculations necessary to demonstrate, as of the date of the Second Closing, that after giving pro forma effect to the transactions contemplated in this Amendment and Purchase Agreement, the Medallion Purchase Agreement and the Medallion Merger Agreement, the Leverage Ratio is less than 2.50 to 1.

(c) The Company shall have delivered true and complete copies of all notices required under the Worker Adjustment and Retraining Notification Act of 1988, as amended from time to time, and the regulations promulgated thereunder ("WARN"), to be given in connection with the termination of the operations engaged in by The Medallion Company, Inc. immediately prior to its acquisition on April 1, 2002.

4.14 Pledged Stock.

The Collateral Agent shall have received certificates representing all issued and outstanding shares of capital stock of Brands and VTUSA, together with an undated stock power for each such certificate executed in blank by a duly authorized of the Company in form and substance satisfactory to the Collateral Agent.

5. REPRESENTATIONS AND WARRANTIES. To induce the Majority Holders and the New Purchasers to enter into this Amendment and Purchase Agreement, the Company hereby represents and warrants to each other signatory hereto that as of the date of the Second Closing:

A. Continuation of Representations and Warranties in Note Purchase Agreement. The representations and warranties made by it in the Note Purchase Agreement are true and correct in all material respects after giving effect to the transactions contemplated in this Amendment and Purchase Agreement (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

B. Leverage Ratio. After giving effect to the transactions contemplated in this Amendment and Purchase Agreement, the Medallion Purchase Agreement and the Medallion Merger Agreement, the Leverage Ratio shall be less than 2.50 to 1.

C. No Material Adverse Effect. During the period from September 30, 2001 through the date of the Second Closing, there will have been no development or event which could reasonably be expected to have a Material Adverse Effect.

D. Legal, Valid and Binding Obligation. This Amendment and Purchase Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as such

enforcement may be limited by bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium or similar laws affecting creditor's rights.

E. No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the transactions contemplated in this Amendment and Purchase Agreement.

F. WARN. VTUSA has timely taken or performed all actions required by WARN or any applicable similar state law with respect to the termination of employees of The Medallion Company, Inc. (including, without limitation, the providing of the notice to employees as required by WARN, within the time frame established under such law or the provision for compensation to each employee required by WARN if such WARN notice were not timely made.)

6. REPRESENTATIONS OF NEW PURCHASERS.

Each New Purchaser hereby, severally and not jointly, represents and warrants to, and agrees with, the Company that:

(a) such New Purchaser understands and acknowledges that the New Notes have not been registered under the Securities Act based in part, on reliance that the issuance of the New Notes is exempt from registration under Section 4(2) of the Securities Act and, therefore, the New Notes may not be offered or sold except pursuant to an effective registration statement under, or an exemption from the registration requirements of, Securities Act;

(b) such New Purchaser (i) has not and, absent an effective registration statement permitting resale of such New Notes by such New Purchaser, will not solicit offers for, or offer to sell, the New Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act, (ii) is acquiring one or more New Notes hereunder for its own account, for investment purposes only and not with a view to any distribution thereof that would violate the Securities Act or the securities laws of any state of the United States or any applicable jurisdiction and (iii) absent an effective registration statement permitting resale of such New Notes by such New Purchaser, will not offer, sell, assign, transfer, pledge, encumber or otherwise dispose of the New Notes except pursuant to an available exemption from the registration requirements of the Securities Act and in compliance with applicable state securities laws; furthermore, upon the request of the Company, such New Purchaser shall deliver, or cause to be delivered, an opinion of counsel, certifications and/or other information requested by the Company and a certificate of transfer in the form appearing on the New Note having been completed and delivered by the transferor to the Company prior to any such disposition; and

(c) such New Purchaser is an "accredited investor" as such term is defined in Rule 501(a) promulgated under Regulation D of the Securities Act and such Purchaser has the knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the New Notes; such New Purchaser is relying on its own diligence in connection with its investment hereunder; and such New Purchaser is not relying on any other New Purchaser to provide such Purchaser with any information with respect to the offer and sale of the New Notes or the Company generally and is not

relying on the completeness or accuracy of any information provided by any other New Purchaser; and such New Purchaser has been given access to all books, records and other information of the Company which such New Purchaser has desired to review and given the opportunity to ask questions of and receive answers from the Company in connection with the sale and purchase of the New Notes hereunder.

Each New Purchaser understands that the Company, and, with respect to any legal opinion delivered pursuant to Section 4 of this Amendment and Purchase Agreement, counsel to the Company will rely upon the accuracy and truth of the foregoing representations, warranties and agreements with respect to making a determination that an exemption from the registration requirement of the Securities Act is available pursuant to Section 4(2) thereof in connection with the issuance of the New Notes hereunder, and the New Purchasers hereby consent to such reliance.

7. REFERENCE TO THE NOTE PURCHASE AGREEMENT. Each reference in the Note Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to the Note Purchase Agreement, shall mean and be a reference to such Note Purchase Agreement as amended by this Amendment and Purchase Agreement.

8. LIMITED EFFECT. Except as expressly amended and modified by this Amendment and Purchase Agreement, the Note Purchase Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

9. SUCCESSORS. All agreements of the parties to this Amendment and Purchase Agreement shall bind their respective successors.

10. COUNTERPARTS. This Amendment and Purchase Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment and Purchase Agreement by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Amendment and Purchase Agreement.

11. GOVERNING LAW. THIS AMENDMENT AND PURCHASE AGREEMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

12. SEVERABILITY. In case any one or more of the provisions in this Amendment and Purchase Agreement shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

13. HEADINGS. The headings of the Sections of this Amendment and Purchase Agreement have been inserted for convenience of reference only, are not to be considered a part of this Amendment and Purchase Agreement and shall in no way modify or restrict any of the term or provisions of this Amendment and Purchase Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Purchase Agreement to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

VGR HOLDING INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

TCW HIGH INCOME PARTNERS, LTD.

By: TCW Asset Management Company,
its Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW HIGH INCOME PARTNERS II, LTD.

By: TCW Asset Management Company,
its Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

PIONEER HIGH YIELD CAYMAN UNIT TRUST

By: TCW Asset Management Company,
its Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW SHARED OPPORTUNITY FUND III, L.P.

By: TCW Asset Management Company,
its Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST IV, L.P.

By: TCW Asset Management Company,
as its Investment Advisor

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AND

By: TCW Asset Management Company,
as its Managing Member of TCW
(LINC IV) L.L.C., the General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW LEVERAGED INCOME TRUST, L.P.

By: TCW Advisers (Bermuda), Ltd.,
as its General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company,
as Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST II, L.P.

By: TCW (LINC II), L.P.,
as its General Partner

By: TCW Advisers (Bermuda), Ltd.,
its General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company,
as Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LINC III CBO LTD.

By: TCW Investment Management Company,
as Collateral Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AIMCO CDO, SERIES 2000-A

By: Allstate Investment Management Company,
its Collateral Manager

By: TCW Asset Management Company,
its Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

POWRs 1997-2 (Participating Obligations
with Residuals 1997-2)

By: Citibank Global Asset Management,
its Investment Advisor

By: TCW Asset Management Company,
its Portfolio Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

CAPTIVA II FINANCE LTD.

By: TCW Advisors, Inc.,
its Financial Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

EXHIBIT A

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION AND ANY APPLICABLE STATE SECURITIES LAWS HAVE BEEN COMPLIED WITH.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES NOT TO OFFER, SELL, ASSIGN, TRANSFER OR OTHERWISE DISPOSE OF THIS NOTE, PRIOR TO THE DATE THAT IS TWO (2) YEARS (OR SUCH SHORTER PERIOD THAT MAY HEREAFTER BE PROVIDED UNDER RULE 144(K) UNDER THE SECURITIES ACT AS PERMITTING RESALES BY NON-AFFILIATES OF RESTRICTED SECURITIES WITHOUT RESTRICTION) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY) EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS PURCHASING THIS NOTE FOR ITS OWN ACCOUNT FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY AND THE REGISTRAR, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT.

10% SENIOR SECURED NOTE DUE MARCH 31, 2006

No. [___] January 15, 2002
$_____ CUSIP NUMBER: 055432 AD 0

FOR PURPOSES OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THIS NOTE HAS ORIGINAL ISSUE DISCOUNT. FOR PURPOSES OF SECTION 1273 OF THE CODE, THE ISSUE PRICE IS $_____ AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $_____. FOR PURPOSES OF SECTION 1275 OF THE CODE, THE ISSUE DATE OF THIS NOTE IS JANUARY 15, 2002. FOR PURPOSES OF SECTION 1272 OF THE CODE, THE YIELD TO MATURITY (COMPOUNDED SEMI-ANNUALLY) IS _____%.

FOR VALUE RECEIVED, the undersigned, VGR HOLDING INC., a Delaware corporation (the "COMPANY"), hereby promises to pay to TCW HIGH INCOME PARTNERS, LTD., or its registered assigns, the principal sum of ONE MILLION DOLLARS (or so much thereof as shall not have been prepaid) on March 31, 2006, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 10% per annum from the date hereof, payable (i) semiannually, on the 15th day of January and July in each year, commencing with the July 15 next succeeding the date hereof, until the principal hereof shall have become due and payable and (ii) on the date the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment (including any overdue prepayment) of the principal of or interest and Prepayment Premium (if any) on the Notes (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered Holder hereof, on demand), at a rate per annum from time to time equal to the rate borne by the Notes plus 2%.

Payments of principal of and interest and Prepayment Premium (if any) on the Notes are to be made in lawful money of the United States of America by the method and at the address specified with respect to such Holder in Schedule A to the Note Purchase Agreement.

This Note is one of a series of 10% Senior Secured Notes Due March 31, 2006 (herein called the "NOTES") issued pursuant to a Note Purchase Agreement, dated as of May 14, 2001, as it may be amended, modified or supplemented from time to time (the "NOTE PURCHASE AGREEMENT"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each Holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 21 of the Note Purchase Agreement.

This Note is secured and guaranteed as provided in the Note Documents. Reference is hereby made to the Note Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests were granted and the rights of the Holder of this Note in respect of such security and guarantees.

This Note is registered as to both principal and stated interest with the Company pursuant to United States Treasury Regulation Section 5f.103-1 and may be transferred only by the surrender of a Note by the transferor and the issuance by the Company of a new Note to the transferee. As provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of this series for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of or interest and Prepayment Premium (if any) on this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Prepayment Premium) and with the effect provided in the Note Purchase Agreement.

NEITHER ANY GROUP EXECUTIVE (AS DEFINED IN THE NOTE PURCHASE AGREEMENT) OR NEW VALLEY CORPORATION SHALL BE PERMITTED TO VOTE ANY NOTES THAT ANY OF THEM MAY HOLD FROM TIME TO TIME UNDER ANY CIRCUMSTANCES, INCLUDING, WITHOUT LIMITATION, IN THE EVENT OF A BANKRUPTCY OF THE COMPANY. IN THE EVENT OF A BANKRUPTCY OF THE COMPANY, ALL GROUP EXECUTIVES AND NEW VALLEY CORPORATION SHALL BE DEEMED TO BE ENTITIES DESIGNATED IN 11 U.S.C. SS.1126(E) FOR PURPOSES OF DETERMINING ACCEPTANCE OF ALLOWED CLAIMS PURSUANT TO 11 U.S.C. SS.1126(C).

This Note shall be construed and enforced in accordance with the laws of the State of New York.

VGR HOLDING INC.

By:

Name:
Title:

VECTOR GUARANTEE

Vector Group Ltd. hereby unconditionally and irrevocably guarantees to the holder of the foregoing Note the due and punctual payment of all principal, interest and Prepayment Premium, if any, on said Note as more fully provided in the Vector Pledge Agreement.

VECTOR GROUP LTD.

By:

Name:
Title:

LIGGETT GUARANTEE

Liggett Group Inc. hereby unconditionally and irrevocably guarantees, subject to the Liggett Subordination Agreement, to the holder of the foregoing Note the due and punctual payment of all principal, interest and Prepayment Premium, if any, on said Note as more fully provided in the Liggett Guarantee.

LIGGETT GROUP INC.

By:

Name:
Title:

EXHIBIT 10.2

SECOND AMENDMENT TO COLLATERAL AGENCY AGREEMENT

This Second Amendment to Collateral Agency Agreement (this "Second Amendment") is made and entered into as of April 30, 2002 by and among (i) VGR Holding Inc., a Delaware corporation (formerly known as BGLS Inc., the "Company"), (ii) Brooke Group Holding Inc., a Delaware corporation ("Brooke Holding"), (iii) Vector Group Ltd., a Delaware corporation ("Vector"), (iv) New Valley Holdings, Inc., a Delaware corporation ("NV Holdings"), (v) Liggett Group Inc., a Delaware corporation (parties (i) through (v) the "Company Parties"), (vi) The Bank of New York, a New York banking corporation, as successor in interest to United States Trust Company of New York, a New York banking corporation as collateral agent (the "Collateral Agent") appointed pursuant to the Collateral Agency Agreement dated May 14, 2001 as amended on September 4, 2001 (the "Collateral Agency Agreement") with reference to that certain Note Purchase Agreement (as amended, supplemented or otherwise modified from time to time, the "Note Purchase Agreement") dated as of May 14, 2001 under which the Company has issued to the purchasers (the "Purchasers") $90,000,000 in aggregate principal amount of the Company's 10% Senior Secured Notes due March 31, 2006 (the "Notes") and (vii) the Holders (as defined below) of the Notes listed on the signature pages hereto. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Collateral Agency Agreement.

RECITALS

WHEREAS, the parties listed above wish to amend the Collateral Agency Agreement to reflect issuance of an additional $30,000,000 in Notes pursuant to the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement dated as of the date hereof by and among the Company and the signatories thereto.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENT TO COLLATERAL AGENCY AGREEMENT.

(a) The definition of "Notes" in the preamble to the Collateral Agency Agreement is hereby amended by substituting "$90,000,000" in lieu of "$60,000,000".

(b) Section 2.06 is added which shall read in its entirety: "2.06 Notice of Default. The Company shall deliver to the Collateral Agent written notice of any Default or Event of Default in the performance of any covenant, agreement or condition contained in the Note Purchase Agreement, with such notice to be delivered promptly and, in any event, no later than one (1) Business Day following the occurrence of such Default or Event of Default."

(c) Section 3.01 of the Collateral Agency Agreement is hereby amended by (i) deleting the word "and" after Section 3.01(j), (ii) deleting Section 3.01(k) in its entirety and inserting in lieu thereof the following:

"(k) upon the receipt by it of written instructions of the Majority Holders, file or record (or cause its agents to file or record) such Uniform Commercial Code financing statements and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Majority Holders reasonably determine appropriate to perfect or to ensure the continuing perfection or priority of the security interest in favor of the Collateral Agent;"

and (iii) adding Section 3.01(l) and Section 3.01(m) to read as follows:

"(l) receive any and all amounts or proceeds paid pursuant to the Liggett Guarantee and apply such amounts or proceeds as specified in Section 4.02; and

(m) promptly upon and, in any event, no later than one (1) Business Day after receipt of notice from the Company pursuant to Section 2.06 hereof, deliver notice to Congress Financial Corporation in accordance with the Liggett Subordination Agreement that a Default or Event of Default, as the case may be, has occurred under the Note Purchase Agreement."

(d) Section 3.03(d) is hereby amended by deleting "The Collateral Agent is authorized to" from the beginning of the first sentence thereof.

(e) Section 4.01 of the Collateral Agency Agreement is hereby amended by deleting at the end thereof "in accordance with Section 5.13 of the applicable Pledge Agreement" and substituting in lieu thereof "in accordance with Section 5.13 of the BGLS Pledge Agreement, and Section 4.13 of each of the Brooke Holding Pledge Agreement and the NV Holdings Pledge Agreement".

(f) Section 4.02 is hereby added to the Collateral Agency Agreement and read as follows:

"4.02. Payments under Liggett Guarantee. The receipt by the Collateral Agent of any amounts under the Liggett Guarantee shall be applied by the Collateral Agent first, to the payment of all proper fees, costs and expenses incurred by the Collateral Agent and/or its agents, counsel or other professional advisors in the collection thereof and second, in satisfaction of the Secured Obligations (as defined in the Company Pledge Agreement).

2. AUTHORIZATION OF AMENDMENT DOCUMENTS. The Majority Holders hereby instruct the Collateral Agent to execute the Amended and Restated Guarantee, Acknowledgment and Pledge Agreement, dated as of the date hereof, among Vector, the Collateral Agent and the Majority Holders, the Amendment to Pledge and Security Agreement, dated as of the date hereof, between Brooke Holding and the Collateral Agent, the Amendment to Pledge and Security Agreement, dated as of the date hereof, between NV Holdings and the Collateral Agent, the Amendment to Pledge and Security Agreement, dated as of the date hereof, between the Company and the Collateral Agent, the Liggett Guarantee and the Liggett Subordination Agreement.

3. ADDITIONAL PARTY. Liggett Group Inc. is hereby added as a party to the Collateral Agency Agreement, as amended, as a Company Party.

4. LIMITED EFFECT. Except as expressly amended and modified by this Second Amendment, the Collateral Agency Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

5. SUCCESSORS. All agreements of the parties to this Second Amendment shall bind their respective successors.

6. COUNTERPARTS. This Second Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Second Amendment by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Second Amendment.

7. GOVERNING LAW. THIS SECOND AMENDMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

8. SEVERABILITY. In case any one or more of the provisions in this Second Amendment shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

9. HEADINGS. The headings of the sections of this Second Amendment have been inserted for convenience of reference only, are not to be considered a part of this Second Amendment and shall in no way modify or restrict any of the term or provisions of this Second Amendment.

10. REFERENCE TO AND EFFECT ON COLLATERAL AGENCY AGREEMENT. On and after the date of this Second Amendment, each reference in the Collateral Agency Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like meaning referring to the Collateral Agency Agreement, and each reference in the Note Documents, other than the Collateral Agency Agreement, and any ancillary documents to the "Collateral Agency Agreement", "thereunder", "thereof", or words of like meaning referring to the Collateral Agency Agreement shall mean and be a reference to the Collateral Agency Agreement as so amended by this Second Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment by their duly authorized officers as of the day and year first above written.

VGR HOLDING INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

BROOKE GROUP HOLDING INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

VECTOR GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

NEW VALLEY HOLDINGS, INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

LIGGETT GROUP INC.

By: /s/ Charles M. Kingan, Jr.

Name: Charles M. Kingan, Jr.
Title: Vice President

THE BANK OF NEW YORK, as Collateral Agent

By: /s/ Patricia Gallagher

Name: Patricia Gallagher
Title: Authorized Signatory

TCW HIGH INCOME PARTNERS, LTD.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW HIGH INCOME PARTNERS II, LTD.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

PIONEER HIGH YIELD CAYMAN UNIT TRUST

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW SHARED OPPORTUNITY FUND III, L.P.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST IV, L.P.

By: TCW Asset Management Company, as its
Investment Advisor

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AND

By: TCW Asset Management Company, as its
Managing Member of TCW (LINC IV)
L.L.C., the General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW LEVERAGED INCOME TRUST, L.P.

By: TCW Advisers (Bermuda), Ltd., as its
General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company, as
Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST II, L.P.

By: TCW (LINC II), L.P., as its General Partner

By: TCW Advisers (Bermuda), Ltd., its General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company, as Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LINC III CBO LTD.

By: TCW Investment Management Company,
as Collateral Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AIMCO CDO, SERIES 2000-A

By: Allstate Investment Management
Company, its Collateral Manager

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

POWRs 1997-2 (Participating Obligations with Residuals 1997-2)

By: Citibank Global Asset Management, its Investment Advisor

By: TCW Asset Management Company, its Portfolio Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

CAPTIVA II FINANCE LTD.

By: TCW Advisors, Inc., its Financial
Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Managing Director

EXHIBIT 10.3

AMENDMENT TO PLEDGE
AND SECURITY AGREEMENT

This Amendment to Pledge and Security Agreement is dated as of April 30, 2002 (this "Amendment") and amends the Pledge and Security Agreement, dated as of May 14, 2001 (as amended, supplement or modified from time to time, the "VGR Pledge and Security Agreement"), between VGR Holding Inc., a Delaware corporation (the "Company"), and The Bank of New York, as successor in interest to United States Trust Company of New York, a New York banking corporation, as Collateral Agent on behalf of the Holders of the 10% Senior Secured Notes due March 31, 2006 (the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the VGR Pledge and Security Agreement.

WHEREAS, pursuant to the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement (the "New Note Purchase Agreement"), dated as of the date hereof, by and among the Company and the other signatories thereto, the Company and the Majority Holders have approved the issuance of an additional $30,000,000 in Notes and desire to amend the VGR Pledge and Security Agreement as set forth herein; and

WHEREAS, the Company will realize direct and indirect benefits as a result of the New Note Purchase Agreement and the other Note Documents and the transactions described therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENTS TO VGR PLEDGE AND SECURITY AGREEMENT.

(a) The following definitions in Section 1 of the VGR Pledge and Security Agreement are hereby amended by deleting such definitions in their entirety and inserting in lieu thereof the following:

"'Commercial Tort Claim' has the meaning ascribed thereto in the Uniform Commercial Code.

'VTUSA' shall mean Vector Tobacco Inc., a Virginia corporation."

(b) The following definitions are hereby added to the VGR Pledge and Security Agreement:

"'Brands' means Vector Liggett Brands Inc., a Delaware corporation, and any successor thereto.

'Brands Convertible Securities' means any securities that are convertible into or exchangeable for Equity Interests of Brands.

'Initial Pledged Brands Shares' means all Equity Interests of Brands represented by the certificates of Brands identified in Annex 1 hereto."

(c) The definition of "Secured Obligations" in Section 1 of the VGR Pledge and Security Agreement is hereby amended by deleting the definition of "Secured Obligations" in its entirety and inserting in lieu thereof the following:

"'Secured Obligations' means, collectively, all obligations and liabilities of any kind or nature, present or future, absolute or contingent, of (i) the Company arising under the Note Documents, (ii) NV Holdings arising under the NV Holdings Pledge Agreement or any other undertaking or agreement delivered by NV Holdings in connection with any other Note Document, (iii) VTUSA arising under any undertaking or agreement delivered by VTUSA in connection with any Note Document, (iv) Brooke Overseas arising under any undertaking or agreement delivered by Brooke Overseas in connection with any Note Document, (v) New Valley arising under any undertaking or agreement delivered by New Valley in connection with any Note Document, (vi) Brooke Holding arising under the Brooke Holding Pledge Agreement or any other undertaking or agreement delivered by Brooke Holding in connection with any other Note Document, (vii) Research arising under any undertaking or agreement delivered by Research in connection with any Note Document, (viii) Vector arising under the Vector Pledge Agreement or any other undertaking or agreement delivered by Vector in connection with any other Note Document, (ix) Liggett arising under the Liggett Guarantee, the Liggett Subordination Agreement or any other undertaking or agreement delivered by Liggett in connection with any other Note Document and (x) Brands arising under any undertaking or agreement delivered by Brands in connection with any Note Document."

(d) Section 2(o) of the VGR Pledge and Security Agreement is hereby amended by deleting Section 2(o) in its entirety and inserting in lieu thereof the following:

"(o) as of the date hereof: (i) there are 22,881,406 shares of New Valley Common Stock issued and outstanding and such shares are the only issued and outstanding Equity Interests of New Valley and (ii) there are no issued and outstanding New Valley Convertible Securities, and New Valley is not subject to any obligation, contingent or otherwise, to issue in the future any additional Equity Interests or any such New Valley Convertible Securities except:

(1) warrants exercisable for 17,867,499 shares of New Valley Common Stock; and

(2) options to purchase 65,333 shares of New Valley Common Stock and options to purchase warrants exercisable for 584,000 shares of New Valley Common Stock."

(e) Section 2 of the VGR Pledge and Security Agreement is hereby amended by adding the following clauses:

"(kk) as of April 30, 2002, (i) the Initial Pledged Brands Shares are the only issued and outstanding Equity Interests of Brands and (ii) there are no issued and outstanding

Brands Convertible Securities, and Brands is not subject to any obligation, contingent or otherwise, to issue in the future any additional Equity Interests or any such Brands Convertible Securities; and

(ll) the Initial Pledged Brands Shares are duly authorized, validly issued, fully paid and nonassessable."

(f) Article 5 of the VGR Pledge and Security Agreement is hereby amended by adding Section 5.18 as follows:

"5.18 Commercial Tort Claims The Company shall promptly notify the Collateral Agent of any Commercial Tort Claims it possesses promptly upon obtaining actual knowledge that it possesses such Commercial Tort Claim and shall upon the request of the Collateral Agent or the Majority Holders execute and deliver all agreements, instruments, financing statements and other documents necessary for the Collateral Agent to perfect a security interest in such Commercial Tort Claim."

(g) The Annexes to the VGR Pledge and Security Agreement are hereby deleted in their entirety and replaced with the Annexes attached hereto.

2. CONFIRMATION OF LIEN. The Company hereby confirms that pursuant to the VGR Pledge and Security Agreement, as amended by this Amendment, the Company has granted a lien on and a security interest in the Collateral as collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and performance of the Secured Obligations.

3. REPRESENTATIONS AND WARRANTIES. The Company hereby represents and warrants that the representations and warranties in Section 2 of the VGR Pledge and Security Agreement, are true and correct in all material respects as of the date hereof (except to the extent that any such representations or warranties apply to conditions existing at a particular date).

4. LIMITED EFFECT. Except as expressly amended and modified by this Amendment, the VGR Pledge and Security Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

5. REFERENCE TO VGR PLEDGE AND SECURITY AGREEMENT. Each reference in the VGR Pledge and Security Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import referring to the VGR Pledge and Security Agreement, and each reference in the Note Documents and all ancillary documents thereto to the "BGLS Pledge Agreement," "thereunder", "thereof", or words of like import shall mean and be a reference to such Brooke Pledge and Security Agreement as amended by this Amendment.

6. SUCCESSORS. All agreements of the parties to this Amendment and Purchase Agreement shall bind their respective successors.

7. COUNTERPARTS. This Amendment may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment

by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

8. GOVERNING LAW. THIS AMENDMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

9. SEVERABILITY. In case any one or more of the provisions in this Amendment shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

10. HEADINGS. The headings of the Sections of this Amendment have been inserted for convenience of reference only, are not to be considered a part of this Amendment and shall in no way modify or restrict any of the term or provisions of this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

VGR HOLDING INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

THE BANK OF NEW YORK, as Collateral Agent

By: /s/ Patricia Gallagher

Name: Patricia Gallagher
Title: Authorized Signatory

ANNEX 1

PLEDGED STOCK

ISSUER	Certificate Nos.	REGISTERED OWNER	NUMBER OF SHARES
New Valley Corporation	NV 1712	VGR Holding Inc.	83,628 shares of common stock, par value $.01 per share.
New Valley Corporation	NV 1710	VGR Holding Inc.	1,974 shares of common stock, par value $.01 per share.
New Valley Corporation	W 2096	VGR Holding Inc.	5,924 warrants to purchase shares of Common Stock, par value $.01 per share.
New Valley Corporation	W 2098	VGR Holding Inc.	1,254,425 warrants to purchase shares of Common Stock, par value $.01 per share.
Vector Tobacco Inc.	1	VGR Holding Inc.	100 shares of common stock, par value $.01 per share.
Brooke (Overseas) Ltd.	2	VGR Holding Inc.	10 shares of common stock, par value $.01 per share.
Vector Research Ltd.	2	VGR Holding Inc.	100 shares, $.01 par value per share.
Brooke Group Holding Inc.	2	VGR Holding Inc.	1,000 shares, $.10 par value per share.
New Valley Holdings, Inc.	1	VGR Holding Inc.	100 shares, $.01 par value per share.
Liggett Vector Brands Inc.	1	VGR Holding Inc.	100 shares, $.01 par value per share.

ANNEX 2

FILINGS AND OTHER ACTIONS REQUIRED TO PERFECT SECURITY INTERESTS

UNIFORM COMMERCIAL CODE FILINGS

Delaware Secretary of State

PATENT AND TRADEMARK FILINGS

None

ACTIONS WITH RESPECT TO STOCK COLLATERAL

Delivery to Collateral Agents of certificates representing Pledged Stock in the State of New York along with a stock power endorsed in blank.

OTHER ACTIONS

1. Execution and delivery of the Account Control Agreement by the Company, the Collateral Agent and the securities intermediary party thereto.

2. Delivery of pledged notes to the Collateral Agent in New York with effective endorsements in blank.

ANNEX 3

CHIEF EXECUTIVE OFFICE

LIST OF LOCATIONS

100 S.E. Second Street
Miami, Florida 33131

ANNEX 4

INTELLECTUAL PROPERTY

None.

ANNEX 5

INSTRUMENTS

$175,000,000 Secured Revolving Demand Promissory Note, dated as of March 6, 2001 (as amended, supplemented or otherwise modified from time to time), made by Vector Tobacco Inc. and Vector Tobacco Ltd. in favor of VGR Holding Inc. and Vector Group Ltd.

ANNEX 6

DEPOSIT ACCOUNTS

Account #01596108029 at Bank of America, N.A.

EXHIBIT 10.4

AMENDMENT TO PLEDGE
AND SECURITY AGREEMENT

This Amendment to Pledge and Security Agreement is dated as of April 30, 2002 (this "Amendment") and amends the Pledge and Security Agreement, dated as of May 14, 2001 (as amended, supplement or modified from time to time, the "NV Pledge and Security Agreement"), between New Valley Holdings, Inc., a Delaware corporation ("NV Holdings"), and The Bank of New York, as successor in interest to United States Trust Company of New York, a New York banking corporation, as Collateral Agent on behalf of the Holders of the 10% Senior Secured Notes due March 31, 2006 (the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the NV Pledge and Security Agreement.

WHEREAS, pursuant to the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement (the "New Note Purchase Agreement"), dated as of the date hereof, by and among the Company and the other signatories thereto, the Company and the Majority Holders have approved the issuance of an additional $30,000,000 in Notes and desire to amend the NV Pledge and Security Agreement as set forth herein; and

WHEREAS, each of NV Holdings and the Company will realize direct and indirect benefits as a result of the New Note Purchase Agreement and the other Note Documents and the transactions described therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENTS TO NV PLEDGE AND SECURITY AGREEMENT.

(a) The definition of "Commercial Tort Claim" in Section 1 of the NV Pledge and Security Agreement is hereby amended by deleting the definition of "Commercial Tort Claim" in its entirety and inserting in lieu thereof the following:

"'Commercial Tort Claim' has the meaning ascribed thereto in the Uniform Commercial Code."

(b) The definition of "Secured Obligations" in Section 1 of the NV Pledge and Security Agreement is hereby amended by deleting the definition of "Secured Obligations" in its entirety and inserting in lieu thereof the following:

"'Secured Obligations' means, collectively, all obligations and liabilities of any kind or nature, present or future, absolute or contingent, of (i) the Company arising under the Note Documents, (ii) NV Holdings arising under this Agreement or any other undertaking or agreement delivered by NV Holdings in connection with any other Note Document, (iii) VTUSA arising under any undertaking or agreement delivered by VTUSA in connection with any Note Document, (iv) Brooke Overseas arising under any undertaking or agreement delivered by Brooke Overseas in connection with any Note Document, (v) New Valley arising under any undertaking or agreement delivered by New Valley in connection with any Note Document, (vi) Brooke Holding arising under the Brooke Holding Pledge Agreement or any other

undertaking or agreement delivered by Brooke Holding in connection with any Note Document, (vii) Research arising under any undertaking, or agreement delivered by Research in connection with any Note Document, (viii) Vector arising under the Vector Pledge Agreement or any other undertaking or agreement delivered by Vector in connection with any other Note Document in connection with any Note Document, (ix) Liggett arising under the Liggett Guarantee, the Liggett Subordination Agreement or any undertaking or agreement delivered by Liggett in connection with any Note Document and (x) Brands arising under any undertaking or agreement delivered by Brands in connection with any Note Document."

(c) The definition of "VTUSA" in Section 1 of the NV Pledge and Security Agreement is hereby amended by deleting the definition of "VTUSA" in its entirety and inserting in lieu thereof the following:

"'VTUSA' shall mean Vector Tobacco Inc., a Virginia corporation, and any successor thereto."

(d) Section 2(k) of the NV Pledge and Security Agreement is hereby amended by deleting Section 2(k) in its entirety and inserting in lieu thereof the following:

"(k) as of the date hereof: (i) there are 22,881,406 shares of New Valley Common Stock issued and outstanding and such shares are the only issued and outstanding Equity Interests of New Valley and (ii) there are no issued and outstanding New Valley Convertible Securities, and New Valley is not subject to any obligation, contingent or otherwise, to issue in the future any additional Equity Interests or any such New Valley Convertible Securities except:

(1) warrants exercisable for 17,867,499 shares of New Valley Common Stock; and

(2) options to purchase 65,333 shares of New Valley Common Stock and options to purchase warrants exercisable for 584,000 shares of New Valley Common Stock."

(e) Section 4.23. Article 4 of the NV Pledge and Security Agreement is hereby amended by adding Section 4.23 as follows:

"4.23 Commercial Tort Claims. NV Holdings shall promptly notify the Collateral Agent of any Commercial Tort Claims it possesses promptly upon obtaining actual knowledge that it possesses such Commercial Tort Claim and shall upon the request of the Collateral Agent or the Majority Holders execute and deliver all agreements, instruments, financing statements and other documents necessary for the Collateral Agent to perfect a security interest in such Commercial Tort Claim."

2. CONFIRMATION OF LIEN. NV Holdings hereby confirms that pursuant to the NV Pledge and Security Agreement, as amended by this Amendment, NV Holdings has granted a lien on and a security interest in the Collateral as collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and performance of the Secured Obligations.

3. REPRESENTATIONS AND WARRANTIES. NV Holdings hereby represents and warrants that the representations and warranties in Section 2 of the NV Pledge and Security Agreement, are true and correct in all material respects as of the date hereof (except to the extent that any such representations or warranties apply to conditions existing at a particular date).

4. LIMITED EFFECT. Except as expressly amended and modified by this Amendment, the NV Pledge and Security Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

5. REFERENCE TO NV PLEDGE AND SECURITY AGREEMENT. Each reference in the NV Pledge and Security Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import referring to the NV Pledge and Security Agreement, and each reference in the Note Documents and all ancillary documents thereto to the "NV Holdings Pledge Agreement," "thereunder", "thereof", or words of like import shall mean and be a reference to such NV Pledge and Security Agreement as amended by this Amendment.

6. SUCCESSORS. All agreements of the parties to this Amendment and Purchase Agreement shall bind their respective successors.

7. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

8. GOVERNING LAW. THIS AMENDMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

9. SEVERABILITY. In case any one or more of the provisions in this Amendment shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

10. HEADINGS. The headings of the Sections of this Amendment have been inserted for convenience of reference only, are not to be considered a part of this Amendment and shall in no way modify or restrict any of the term or provisions of this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

NEW VALLEY HOLDINGS, INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

THE BANK OF NEW YORK, as Collateral Agent

By: /s/ Patricia Gallagher

Name: Patricia Gallagher
Title: Authorized Signatory

EXHIBIT 10.5

AMENDMENT TO PLEDGE
AND SECURITY AGREEMENT

This Amendment to Pledge and Security Agreement is dated as of April 30, 2002 (this "Amendment") and amends the Pledge and Security Agreement, dated as of May 14, 2001 (as amended, supplement or modified from time to time, the "Brooke Pledge and Security Agreement"), between Brooke Group Holding Inc., a Delaware corporation ("Brooke Holding"), and The Bank of New York, as successor in interest to United States Trust Company of New York, a New York banking corporation, as Collateral Agent on behalf of the Holders of the 10% Senior Secured Notes due March 31, 2006 (the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Brooke Pledge and Security Agreement as amended hereby.

WHEREAS, pursuant to the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement (the "New Note Purchase Agreement"), dated as of the date hereof, by and among the Company and the other signatories thereto, the Company and the Majority Holders have approved the issuance of an additional $30,000,000 in Notes and desire to amend the Brooke Pledge and Security Agreement as set forth herein; and

WHEREAS, each of Brooke Holding and the Company will realize direct and indirect benefits as a result of the New Note Purchase Agreement and the other Note Documents and the transactions described therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AMENDMENTS TO BROOKE PLEDGE AND SECURITY AGREEMENT.

(a) The definition of "Commercial Tort Claims" in Section 1 of the Brooke Pledge and Security Agreement is hereby amended by deleting the definition of "Commercial Tort Claims" in its entirety and inserting in lieu thereof the following:

"'Commercial Tort Claim' has the meaning ascribed thereto in the Uniform Commercial Code."

(b) The definition of "Secured Obligations" in Section 1 of the Brooke Pledge and Security Agreement is hereby amended by deleting the definition of "Secured Obligations" in its entirety and inserting in lieu thereof the following:

"'Secured Obligations' means, collectively, all obligations and liabilities of any kind or nature, present or future, absolute or contingent, of (i) the Company arising under the Note Documents, (ii) NV Holdings arising under the NV Holdings Pledge Agreement or any other undertaking or agreement delivered by NV Holdings in connection with any other Note Document, (iii) VTUSA arising under any undertaking or agreement delivered by VTUSA in connection with any Note Document, (iv) Brooke Overseas arising under any undertaking or agreement delivered by Brooke Overseas in connection with any Note Document, (v) New Valley arising under any undertaking or agreement delivered by New Valley in connection with any Note Document, (vi) Brooke Holding arising under this Agreement or any other undertaking

or agreement delivered by Brooke Holding in connection with any other Note Document, (vii) Research arising under any undertaking, or agreement delivered by Research in connection with any Note Document, (viii) Vector arising under the Vector Pledge Agreement or any other undertaking or agreement delivered by Vector in connection with any other Note Document, (ix) Liggett arising under the Liggett Guarantee, the Liggett Subordination Agreement or any other undertaking or agreement delivered by Liggett in connection with any other Note Document and (x) Brands arising under any undertaking or agreement delivered by Brands in connection with any Note Document."

(c) The definition of "VTUSA" in Section 1 of the Brooke Pledge and Security Agreement is hereby amended by deleting the definition of "VTUSA" in its entirety and inserting in lieu thereof the following:

"'VTUSA' shall mean Vector Tobacco Inc., a Virginia corporation, and any successor thereto."

(d) Section 4.23. Article 4 of the Brooke Pledge and Security Agreement is hereby amended by adding Section 4.23 as follows:

"4.23 Commercial Tort Claims. Brooke Holding shall promptly notify the Collateral Agent of any Commercial Tort Claims it possesses promptly upon obtaining actual knowledge that it possesses such Commercial Tort Claim and shall upon the request of the Collateral Agent or the Majority Holders execute and deliver all agreements, instruments, financing statements and other documents necessary for the Collateral Agent to perfect a security interest in such Commercial Tort Claim."

2. CONFIRMATION OF LIEN. Brooke Holding hereby confirms that pursuant to the Brooke Pledge and Security Agreement, as amended by this Amendment, Brooke Holding has granted a lien on and a security interest in the Collateral as collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and performance of the Secured Obligations.

3. REPRESENTATIONS AND WARRANTIES. Brooke Holding hereby represents and warrants that the representations and warranties in Section 2 of the Brooke Pledge and Security Agreement, are true and correct in all material respects as of the date hereof (except to the extent that any such representations or warranties apply to conditions existing at a particular date).

4. LIMITED EFFECT. Except as expressly amended and modified by this Amendment, the Brooke Pledge and Security Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

5. REFERENCE TO BROOKE PLEDGE AND SECURITY AGREEMENT. Each reference in the Brooke Pledge and Security Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import referring to the Brooke Pledge and Security Agreement, and each reference in the Note Documents and all ancillary documents thereto to the "Brooke Holding Pledge Agreement," "thereunder", "thereof", or words of like import shall mean and be a reference to such Brooke Pledge and Security Agreement as amended by this Amendment.

6. SUCCESSORS. All agreements of the parties to this Amendment and Purchase Agreement shall bind their respective successors.

7. COUNTERPARTS. This Amendment may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

8. GOVERNING LAW. THIS AMENDMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

9. SEVERABILITY. In case any one or more of the provisions in this Amendment shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

10. HEADINGS. The headings of the Sections of this Amendment have been inserted for convenience of reference only, are not to be considered a part of this Amendment and shall in no way modify or restrict any of the term or provisions of this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BROOKE GROUP HOLDING INC.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

THE BANK OF NEW YORK, as Collateral Agent

By: /s/ Patricia Gallagher

Name: Patricia Gallagher
Title: Authorized Signatory

AMENDED AND RESTATED GUARANTEE, ACKNOWLEDGMENT AND PLEDGE AGREEMENT

AMENDED AND RESTATED GUARANTEE, ACKNOWLEDGMENT AND PLEDGE AGREEMENT, dated as of April 30, 2002 (this "Agreement"), by and among (i) Vector Group Ltd., a Delaware corporation ("Vector"), (ii) The Bank of New York, a New York banking corporation, as successor in interest to United States Trust Company of New York, as collateral agent (together with its successors and assigns, the "Collateral Agent") on behalf of the holders (the "Holders") of the 10% Senior Secured Notes Due March 31, 2006 of VGR Holding Inc., a Delaware corporation (formerly known as BGLS Inc., hereinafter referred to as "VGR") issued pursuant to that certain Note Purchase Agreement, dated as of May 14, 2001 (as amended, supplemented or modified from time to time, the "Note Purchase Agreement") between the Company and the Holders and (iii) the Majority Holders (as defined in the Note Purchase Agreement). Capitalized terms, unless otherwise defined herein, are used herein with the meanings ascribed to them in the Note Purchase Agreement. This Agreement amends and restates the Acknowledgement and Pledge Agreement, dated as of May 14, 2001, by and among Vector, the Collateral Agent on behalf of the Holders (as defined therein) and the Purchasers (as defined therein).

1. ACKNOWLEDGMENTS. Vector hereby acknowledges to the Holders that it has read and understood the Note Purchase Agreement, and hereby agrees, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, that it shall comply with Sections 7.5, 8.5, 8.25, 9.1, 9.2, 9.3(b), 9.4 and 9.6 of the Note Purchase Agreement. Vector shall be liable to the Holders for any breach of such Sections of the Note Purchase Agreement to the extent of any benefit accruing directly to it as a result of such breach.

2. PLEDGE OF COLLATERAL. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and performance of the Secured Obligations (as defined in the BGLS Pledge Agreement), Vector hereby pledges and grants to the Collateral Agent for the benefit of the Holders and the Collateral Agent a security interest in all of Vector's right, title and interest in that certain $100,000,000 Second Amended and Restated Subordinated Secured Revolving Demand Promissory Note, dated as of October 4, 2001 (as amended, supplemented or modified from time to time), made by Vector Tobacco (USA) Ltd. and Vector Tobacco Ltd. in favor of VGR and Vector (the "Secured Note" or the "Collateral").

3. [RESERVED].

4. REPRESENTATIONS AND WARRANTIES. Vector represents and warrants that:

(a) Vector is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) Vector has the corporate power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the security interest in the Collateral pursuant to, this Agreement and has taken all necessary

corporate action to authorize its execution, delivery and performance of, and grant of the security interest in the Collateral pursuant to, this Agreement;

(c) this Agreement constitutes a legal, valid and binding obligation of Vector, enforceable in accordance with its terms, and upon delivery to the Collateral Agent of the Secured Note, the security interest created pursuant to this Agreement will constitute a valid, perfected first priority security interest in the Collateral, enforceable in accordance with its terms against all creditors of Vector and any Persons purporting to purchase any Collateral from Vector, except in each case as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing;

(d) the execution, delivery and performance by Vector of this Agreement will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of Vector under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which Vector is bound or by which Vector or any of its properties is bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental or Regulatory Authority applicable to Vector or (iii) violate any provision of any statute or other rule or regulation of any Governmental or Regulatory Authority applicable to Vector;

(e) no consent, approval or authorization of, or registration, filing (other than the filing of any financing statements contemplated in any Note Document) or declaration with, any Governmental or Regulatory Authority is required in connection with the execution, delivery or performance by Vector of this Agreement;

(f) no litigation, investigation or proceeding of or before any arbitrator or Governmental or Regulatory Authority is pending or, to the knowledge of Vector, threatened by or against Vector against any of its properties or revenues with respect to this Agreement or any of the transactions contemplated hereby;

(g) after giving effect to the transactions contemplated in the New Note Purchase Agreement and the Medallion Purchase Agreement, Vector will be Solvent; and

(h) Vector is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5. COVENANTS. Until the Secured Obligations have been repaid in full, Vector shall do the following:

(a) give, execute, deliver, file and/or record any financing statement, continuation statement, notice, instrument, document, agreement or other papers that may be necessary or desirable or that the Collateral Agent may reasonably request to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Collateral Agent to exercise and enforce its rights hereunder with respect to such pledge and security interest;

(b) upon the occurrence and during the continuance of any Default, upon request of the Collateral Agent, promptly notify (and Vector hereby authorizes the Collateral Agent so to notify) each maker of the Secured Note that the Secured Note has been assigned to the Collateral Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Securities Account;

(c) without the prior written consent of the Collateral Agent, Vector shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Collateral Agent is not named as the sole secured party;

(d) promptly give to the Holders notice of all legal or arbitral proceedings, and of all proceedings by or before any governmental or regulatory authority or agency, affecting Vector, except proceedings that, if adversely determined, would not (either individually or in the aggregate) have a material adverse effect on the financial condition, operations, business or prospects taken as a whole of Vector; and

(e) preserve and maintain its corporate existence and all of its material rights, privileges and franchises; comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements could (either individually or in the aggregate) materially and adversely affect the financial condition, operations, business or prospects taken as a whole of Vector; and pay and discharge all taxes, assessments and governmental charges or levies imposed on it or its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained.

6. GUARANTEE.

(a) Vector hereby unconditionally and irrevocably guarantees to the Holders and the Collateral Agent (collectively, the "Guaranteed Parties") the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all Secured Obligations from time to time owing to the Guaranteed Parties, in each case strictly in accordance with the terms thereof. Vector hereby further agrees that if VGR shall fail to pay in full when due (whether at stated

maturity, by acceleration of otherwise) any of the Secured Obligations, Vector will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Secured Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

(b) The obligations of Vector under Section 6(a) hereof are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the Note Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Secured Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 6(b) that the obligations of Vector hereunder shall be absolute and unconditional under any and all circumstances.

Vector hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Guaranteed Party exhausts any right, power or remedy or proceed against VGR under the Note Purchase Agreement or the Company Pledge Agreement or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Secured Obligations.

(c) The obligations of Vector under this Section 6(c) shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of VGR in respect of the Secured Obligations is rescinded or must be otherwise restored by any holder of any of the Secured Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and Vector agrees that it will indemnify the Holders on demand for all reasonable costs and expenses (including, without limitation, reasonable fees of counsel) incurred by Holders in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

(d) Vector hereby agrees that until the payment and satisfaction in full of all Secured Obligations it shall not exercise any right or remedy arising by reason of any performance by it of its guarantee in Section 6(a) hereof, whether by subrogation or otherwise, against VGR or any other guarantor of any of the Secured Obligations or any security for any of the Secured Obligations.

(e) Vector agrees that, as between Vector and the Holders, the obligations of VGR under the Note Purchase Agreement may be declared to be forthwith due and payable as provided in Section 12 of the Note Purchase Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 12) for purposes of Section 6(a) hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable by Vector for purposes of said Section 6(a)).

(f) The guarantee in this Section 6 is a continuing guarantee, and shall apply to all Secured Obligations whenever arising.

(g) Vector hereby acknowledges that the guarantee in this Section 6 constitutes an instrument for the payment of money, and consents and agrees that any Holder, at its sole option, in the event of a dispute by Vector in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

(h) At the request of any Holder, Vector shall execute the following endorsement on any Note:

> "Vector Group Ltd. hereby unconditionally and irrevocably guarantees to the bidder of the foregoing Note the due and punctual payment of all principal, interest and Prepayment Premium, if any, on said Note as more fully provided in the Vector Pledge Agreement."

7. PRESERVATION OF RIGHTS. The Collateral Agent shall not be required to take steps necessary to preserve any rights against third parties to any of the Collateral.

8. EVENTS OF DEFAULT, ETC. During the period during which an Event of Default shall have occurred and be continuing:

(a) the Collateral Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(b) the Collateral Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Collateral Agent were the sole and absolute owner thereof (and Vector agrees to take all such action as may be appropriate to give effect to such right);

(c) the Collateral Agent in its discretion may, in its name or in the name of Vector or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(d) the Collateral Agent may, upon ten business days' prior written notice to Vector of the time and place, with respect to the Collateral or any part thereof that shall then be or shall thereafter come into the possession, custody or control

of the Collateral Agent or any of its agents, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Collateral Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Collateral Agent or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of Vector, any such demand, notice and right or equity being hereby expressly waived and released. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

9. WAIVER OF SURETYSHIP DEFENSES. Without limiting the generality of Section 6 of this Agreement, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of Vector hereunder which shall remain absolute and unconditional:

(a) the occurrence of any Event of Default under, or any lack of validity, legality or enforceability of any provision of any Note Document or any other agreement or document;

(b) the failure of any Guaranteed Party:

(i) to assert any claim or demand or to enforce any right or remedy against any Document Party or any other Person under the provisions of any Note Document, or otherwise, or

(ii) to exercise any right or remedy against any other guarantor of or other Person pledging collateral securing any of the Secured Obligations;

(c) at any time or from time to time, with or without notice to Vector, any change in the time, manner or place of payment of, or in any term of, all or any of the Secured Obligations, or any other extension, compromise, indulgence, waiver or renewal of any Secured Obligation;

(d) any reduction, limitation, variation, impairment, discontinuance or termination of any of the Secured Obligations for any reason (other than by reason of any payment which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Secured Obligations or otherwise (other than by reason of any payment which is not required to be rescinded);

(e) any amendment to, rescission, waiver or other modification of, or any consent to any departure from, any of the terms of the Secured Obligations or any guarantees or security;

(f) any addition, exchange, release, discharge, realization or non-perfection of any collateral security in respect of the Secured Obligations;

(g) any amendment to, rescission, waiver or other modification of, or release or addition of, or consent to any departure from, any other guarantee held by the Holders as security for any of the Secured Obligations;

(h) the loss of or in respect of or the unenforceability of any guarantee or other security which the Guaranteed Parties may now or hereafter hold in respect of the Secured Obligations, whether occasioned by the fault of the Guaranteed Parties or otherwise;

(i) any change in the name of the Company or in the constitutive documents, capital structure, capacity or constitution of the Company, the bankruptcy or insolvency of the Company, the sale of any or all of the Company's business or assets or the Company being consolidated, merged or amalgamated with any other Person;

(j) any failure on the part of the Company or any other Person to perform or comply with any term of the Note Documents or any of the Secured Obligations or any other agreement or document;

(k) any suit or other action brought by any beneficiaries or creditors of, or by, the Company or any other Person for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of any Note Document, any of the Secured Obligations or any other agreement or document;

(l) any lack or limitation of status or of power, incapacity or disability of the Company or any trustee or agent thereof; or

(m) any other circumstance (other than final and indefeasible payment in full) which might otherwise constitute a defense available to, or a legal or equitable discharge of, the Company, Brooke Holding, NV Holdings or Liggett or any surety or any other guarantor of the foregoing.

10. NO WAIVER OF RIGHTS. No failure on the part of any Holder or the Collateral Agent to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Holder or the Collateral Agent of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

11. NOTICES. All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(a) if to any Holder, to such Holder at the address specified for such communications in Schedule A to the Note Purchase Agreement, or at such other address as it shall have specified to Vector and the Collateral Agent in writing,

(b) if to the Collateral Agent, to the Collateral Agent at such address as is set forth on its signature page hereto or at such other address as the Collateral Agent shall have specified to each Holder and to Vector in writing, or

(c) if to Vector, to Vector at its address set forth on its signature page thereto to the attention of the General Counsel, or at such other address as Vector shall have specified to each Holder and to the Collateral Agent.

Notices under this Section 10 will be deemed given when actually received if sent by telecopy, upon the succeeding Business Day if sent by overnight courier and three days after deposit in the U.S. mail if sent by registered or certified mail.

12. AMENDMENTS, ETC. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by Vector, the Majority Holders and the Collateral Agent. Any such amendment or waiver shall be binding upon the Collateral Agent, each holder of any of the Secured Obligations and Vector.

13. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of Vector, the Holders, the Collateral Agent and each holder of any of the Secured Obligations (provided, however, that Vector shall not assign or transfer its rights hereunder without the prior written consent of the Collateral Agent).

14. CAPTIONS. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

15. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or e-mail transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

16. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

17. AGENTS AND ATTORNEYS-IN-FACT. The Collateral Agent may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

18. SEVERABILITY. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

19. ENVIRONMENTAL INDEMNIFICATION OF COLLATERAL AGENT AND HOLDERS. Vector hereby agrees to indemnify the Collateral Agent and the Holders from, and hold the Collateral Agent and the Holders harmless against, any losses, liabilities, claims, damages or expenses arising under any Environmental Law (as defined in the BGLS Pledge Agreement) as a result of the past, present or future operations of the Company or any of its Subsidiaries following the exercise by the Collateral Agent of its rights and remedies under any Note Document.

20. INDEMNIFICATION OF NV HOLDINGS. Vector hereby agrees to indemnify NV Holdings for, and hold it harmless against, any claim, demand, expense (including but not limited to reasonable attorneys' fees), loss or liability incurred by it arising solely out of or in connection with its being an affiliate of Vector.

Vector hereby acknowledges that the indemnity contained in this Section 19 for the benefit of NV Holdings and that NV Holdings is relying on said indemnity as a basis for entering into the NV Holdings Pledge Agreement.

21. INTEGRATION. This Agreement and the other Note Documents represent the agreement of Vector, the Collateral Agent and the Holders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Collateral Agent or any Holder relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Note Documents.

22. ACKNOWLEDGMENTS. Vector hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Note Documents to which it is a party;

(b) neither the Collateral Agent nor any Holder has any fiduciary relationship with or duty to Vector arising out of or in connection with this Agreement or any of the other Note Documents, and the relationship between Vector, on the one hand, and the Collateral Agent and Holders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Note Documents or otherwise exists by virtue of the transactions contemplated hereby among the Holders or among Vector and the Holders.

IN WITNESS WHEREOF, Vector Group Ltd. has executed this Amended and Restated Guarantee, Acknowledgment and Pledge Agreement, intending to be legally bound, as of April , 2002.

VECTOR GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

100 S.E. Second Street
Miami, Florida 33131
Telephone: (305) 579-8000
Facsimile: (305) 579-8009

Attention: Richard J. Lampen
Executive Vice President

THE BANK OF NEW YORK

By: /s/ Patricia Gallagher

Name: Patricia Gallagher
Title: Authorized Signatory

Address for Notices:

114 West 47th Street, 25th Floor
New York, New York 10036-1532
Telephone: (212) 896-7253
Facsimile: (212) 852-1626

Attention: Patricia Gallagher

TCW HIGH INCOME PARTNERS, LTD.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW HIGH INCOME PARTNERS II, LTD.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

PIONEER HIGH YIELD CAYMAN UNIT TRUST

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW SHARED OPPORTUNITY FUND III, L.P.

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST IV, L.P.

By: TCW Asset Management Company, as its
Investment Advisor

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AND

By: TCW Asset Management Company, as its
Managing Member of TCW (LINC IV)
L.L.C., the General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

TCW LEVERAGED INCOME TRUST, L.P.

By: TCW Advisers (Bermuda), Ltd., as its
General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company, as
Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST II, L.P.

By: TCW (LINC II), L.P., as its General Partner

By: TCW Advisers (Bermuda), Ltd., its General Partner

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: TCW Investment Management Company, as Investment Adviser

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

TCW LINC III CBO LTD.

By: TCW Investment Management Company,
as Collateral Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

AIMCO CDO, SERIES 2000-A

By: Allstate Investment Management
Company, its Collateral Manager

By: TCW Asset Management Company, its
Investment Advisor

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

POWRs 1997-2 (Participating Obligations
with Residuals 1997-2)

By: Citibank Global Asset Management,
its Investment Advisor

By: TCW Asset Management Company, its
Portfolio Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

CAPTIVA II FINANCE LTD.

By: TCW Advisors, Inc., its
Financial Manager

By: /s/ Darryl L. Schall

Name: Darryl L. Schall
Title: Managing Director

By: /s/ Shawn Bookin

Name: Shawn Bookin
Title: Senior Vice President

THE RIGHTS OF THE BENEFICIARY HEREUNDER ARE SUBORDINATED TO THE PRIOR PAYMENT IN FULL AND ALL OTHER RIGHTS OF CONGRESS FINANCIAL CORPORATION ("CONGRESS") AS AND TO THE EXTENT PROVIDED IN THAT CERTAIN SUBORDINATION AGREEMENT BETWEEN CONGRESS AND THE BENEFICIARY OF EVEN DATE HEREWITH.

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GUARANTEE

Dated as of April 30, 2002

by

LIGGETT GROUP INC.
as Guarantor

in favor of

THE BANK OF NEW YORK,
as Collateral Agent,

to the benefit of the Holders of the 10% Senior Secured Notes due March 31, 2006 of VGR Holding Inc.

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GUARANTEE

GUARANTEE, dated as of April 30, 2002 (this "Guarantee"), is made by LIGGETT GROUP INC., a Delaware corporation (the "Guarantor") in favor of The Bank of New York as Collateral Agent for the benefit of the holders of the 10% Senior Secured Notes due March 31, 2006 (the "Notes") of VGR Holding Inc. (the "Company") and The Bank of New York, as Collateral Agent.

RECITALS:

A. On May 14, 2001, the Company issued $60,000,000 in aggregate principal amount of Notes to the Purchasers (as defined in the Note Purchase Agreement, dated as of May 14, 2001, between the Company and the Purchasers named therein (such agreement, as amended, modified and supplemented from time to time, the "Note Purchase Agreement").

B. The Company wishes to issue an additional $30,000,000 in aggregate principal amount of Notes pursuant to the Second Amendment to Note Purchase Agreement and New Note Purchase Agreement (the "Amendment and Purchase Agreement"), dated as of April 30, 2002 by and among the Company, the Majority Holders (as defined in the Note Purchase Agreement) and the New Purchasers (as defined in the Amendment and Purchase Agreement).

C. It is a condition precedent to both the amendment of the Note Purchase Agreement pursuant to the Amendment and Purchase Agreement New Purchasers purchasing the additional Notes that the Guarantor shall have executed and delivered this Guarantee for benefit of all Holders of Notes, whenever issued, and the Collateral Agent.

D. The Company indirectly owns 100% of the outstanding capital stock of the Guarantor.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor hereby agrees as follows:

ARTICLE 1
DEFINITIONS

Section 1.01 Certain Defined Terms.

(a) Each capitalized term used and not otherwise defined herein shall have the meaning assigned to such term (whether directly or by reference to another agreement or document) in the Note Purchase Agreement.

(b) The term "Guaranteed Obligations" shall have the meaning ascribed to the term "Secured Obligations" in the BGLS Pledge Agreement.

(c) The term "Guaranteed Parties" means, collectively, the Holders and the Collateral Agent.

ARTICLE 2
THE GUARANTEE

(a) The Guarantor hereby unconditionally and irrevocably guarantees to the Guaranteed Parties the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations from time to time owing to the Guaranteed Parties, in each case strictly in accordance with the terms thereof. The Guarantor hereby further agrees that if the Company shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantor will promptly pay the same to the Collateral Agent for the benefit of the Guaranteed Parties, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due to the Collateral Agent for the benefit of the Guaranteed Parties (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

(b) The obligations of the Guarantor under Section 2(a) hereof are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the Note Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2(b) that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. The Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Guaranteed Party exhaust any right, power or remedy or proceed against the Company under the Note Purchase Agreement or the Company Pledge Agreement or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

(c) The obligations of the Guarantor under this Guarantee shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantor agrees that it will indemnify the Guaranteed Parties on demand for all reasonable costs and expenses (including, without limitation, reasonable fees of counsel) incurred by Holders and the Collateral Agent in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

(d) The Guarantor hereby agrees that until the payment and satisfaction in full of all Guaranteed Obligations it shall not exercise any right or remedy arising by reason of any performance by it of its guarantee in Section 2(a) hereof, whether by subrogation or otherwise, against the Company or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

(e) The Guarantor agrees that, as between (i) the Guarantor and (ii) the Holders, the obligations of the Company under the Note Purchase Agreement may be declared to be forthwith due and payable as provided in Section 12 of the Note Purchase Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 12) for purposes of Section 2(a) hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable by the Guarantor for purposes of said Section 2(a)).

(f) The guarantee in this Section 2 is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

(g) The Guarantor hereby acknowledges that this Guarantee constitutes an instrument for the payment of money, and consents and agrees that any Holder, at its sole option, in the event of a dispute by the Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

(h) Anything herein or in any other Note Document to the contrary notwithstanding, the maximum liability of the Guarantor hereunder shall in no event exceed the maximum amount which can be guaranteed by the Guarantor under applicable federal and state laws relating to the insolvency of debtors without rendering the Guarantor insolvent.

(i) At the request of any Holder, the Guarantor shall execute the following endorsement on any Note:

> "Liggett Group Inc. hereby unconditionally and irrevocably guarantees, subject to the Liggett Subordination Agreement, to the holder of the foregoing Note the due and punctual payment of all principal, interest and Prepayment Premium, if any, on said Notes as more fully provided in the Liggett Guarantee."

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

Section 3.01 The Guarantor represents and warrants that:

(a) the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) the Guarantor has the corporate power and authority and the legal right to execute and deliver, to perform its obligations under this Agreement and has

taken all necessary corporate action to authorize its execution, delivery and performance of this Guarantee;

(c) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, except in each case as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally;

(d) the execution, delivery and performance by the Guarantor of this Guarantee will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Guarantor under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Guarantor is bound or by which the Guarantor or any of its properties is bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental or Regulatory Authority applicable to the Guarantor or (iii) violate any provision of any statute or other rule or regulation of any Governmental or Regulatory Authority applicable to the Guarantor;

(e) no consent, approval or authorization of, or registration, filing or declaration with, any Governmental or Regulatory Authority is required in connection with the execution, delivery or performance by the Guarantor of this Agreement;

(f) no litigation, proceeding, or, to the knowledge of Guarantor, investigation of or before any arbitrator or Governmental or Regulatory Authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor against any of its properties or revenues with respect to this Agreement or any of the transactions contemplated hereby;

(g) after giving effect to the transactions contemplated in the New Note Purchase Agreement, the Guarantor will be Solvent; and (h) the Guarantor is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE 4
[RESERVED]

ARTICLE 5
WAIVER OF SURETYSHIP DEFENSES

Without limiting the generality of Section 2 of this Agreement, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantor hereunder which shall remain absolute and unconditional:

(a) the occurrence of any Event of Default under, or any lack of validity, legality or enforceability of any provision of any Note Document or any other agreement or document;

(b) the failure of any Guaranteed Party:

(i) to assert any claim or demand or to enforce any right or remedy against any Document Party or any other Person under the provisions of any Note Document, or otherwise, or

(ii) to exercise any right or remedy against any other guarantor of or other Person pledging collateral securing any of the Guaranteed Obligations;

(c) at any time or from time to time, with or without notice to the Guarantor, any change in the time, manner or place of payment of, or in any term of, all or any of the Guaranteed Obligations, or any other extension, compromise, indulgence, waiver or renewal of any Guaranteed Obligation;

(d) any reduction, limitation, variation, impairment, discontinuance or termination of any of the Guaranteed Obligations for any reason (other than by reason of any payment which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Guaranteed Obligations or otherwise (other than by reason of any payment which is not required to be rescinded);

(e) any amendment to, rescission, waiver or other modification of, or any consent to any departure from, any of the terms of the Guaranteed Obligations or any guarantees or security;

(f) any addition, exchange, release, discharge, realization or non-perfection of any collateral security in respect of the Guaranteed Obligations;

(g) any amendment to, rescission, waiver or other modification of, or release or addition of, or consent to any departure from, any other guarantee held by the Holders as security for any of the Guaranteed Obligations;

(h) the loss of or in respect of or the unenforceability of any guarantee or other security which the Guaranteed Parties may now or hereafter hold in respect of the Guaranteed Obligations, whether occasioned by the fault of the Guaranteed Parties or otherwise;

(i) any change in the name of the Company or in the constitutive documents, capital structure, capacity or constitution of the Company, the bankruptcy or

insolvency of the Company, the sale of any or all of the Company's business or assets or the Company being consolidated, merged or amalgamated with any other Person;

(j) any failure on the part of the Company or any other Person to perform or comply with any term of the Note Documents or any of the Guaranteed Obligations or any other agreement or document;

(k) any suit or other action brought by any beneficiaries or creditors of, or by, the Company or any other Person for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of any Note Document, any of the Guaranteed Obligations or any other agreement or document;

(l) any lack or limitation of status or of power, incapacity or disability of the Company or any trustee or agent thereof; or

(m) any other circumstance (other than final and indefeasible payment in full) which might otherwise constitute a defense available to, or a legal or equitable discharge of, the Company, Brooke Holding, NV Holdings or Vector or any surety or any other guarantor of the foregoing.

ARTICLE 6
MISCELLANEOUS PROVISIONS

Section 6.01 Notices. All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(a) if to any Holder, to such Holder at the address specified for such communications in Schedule A to the Note Purchase Agreement, or at such other address as it shall have specified to Liggett and the Collateral Agent in writing,

(b) if to the Collateral Agent, to the Collateral Agent at such address as is set forth on its signature page to the Collateral Agency Agreement or at such other address as the Collateral Agent shall have specified to each Holder and to Liggett in writing, or

(c) if to Liggett, to Liggett at its address set forth on its signature page hereto, or at such other address as Liggett shall have specified to each Holder and to the Collateral Agent.

Notices under this Section 6.01 will be deemed given when actually received if sent by telecopy, upon the succeeding Business Day if sent by overnight courier and three days after deposit in the U.S. mail if sent by registered or certified mail.

Section 6.02 Amendments. No waiver, amendment, modification or termination of any provision of this Guarantee, or consent to any departure by the Guarantor from the terms of this Guarantee, shall in any event be effective without the prior written consent of the Majority Holders (acting in accordance with the Note Documents) and the Collateral Agent. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 6.03 Successors and Assigns. This Guarantee shall be binding upon the Guarantor and its respective permitted successors and assigns and shall inure to the benefit of the Guaranteed Parties and their respective successors and assigns. Except as expressly permitted by the Note Documents, the Guarantor may not assign or otherwise transfer any of its respective rights or obligations under this Guarantee.

Section 6.04 Survival. All agreements, statements, representations and warranties made by the Guarantor herein or in any certificate or other instrument delivered by the Guarantor or on its behalf under this Guarantee shall be considered to have been relied upon by the Holders and the Collateral Agent and shall survive the execution and delivery of this Agreement and the Note Documents until termination thereof or the indefeasible payment in full in cash of all Guaranteed Obligations regardless of any investigation made by or on behalf of any Holder or the Collateral Agent.

Section 6.05 No Waiver; Remedies Cumulative. No failure or delay on the part of any Guaranteed Party in exercising any right, power or privilege hereunder and no course of dealing between the Guarantor and any Guaranteed Party shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Guaranteed Parties would otherwise have.

Section 6.06 Counterparts. This Guarantee may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart hereof by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 6.07 Captions. The headings of the several articles and sections and sub-sections of this Guarantee are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Guarantee.

Section 6.08 Severability. In case any provision contained in or obligation under this Guarantee shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 6.09 Governing Law; Submission to Jurisdiction and Venue; Waiver of Jury Trial.

THIS GUARANTEE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK INCLUDING, WITHOUT LIMITATION, ss.ss. 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND NYCPLR 327(b). TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, THE GUARANTOR IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY OR ANY FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING, WHETHER IN TORT, CONTRACT OR OTHERWISE, ARISING OUT OF OR RELATING TO THIS AND IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED ONLY IN ANY SUCH COURT. THE GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY AND ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY GUARANTEED PARTY OR ITS AGENTS TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE GUARANTOR OR ANY OF ITS AFFILIATES IN ANY OTHER JURISDICTION.

Section 6.10 Entire Agreement. This Guarantee, together with any other document executed in connection with this Guarantee, is intended by the parties as a final expression of their agreement as to the matters covered by this Guarantee and is intended as a complete and exclusive statement of the terms and conditions of such agreement.

Section 6.11 Independent Obligations. The Guarantor's obligations under this Agreement shall be in addition to and shall be independent of every other guarantee or security which the Guaranteed Parties may at any time hold for any of the Guaranteed Obligations. Any Guaranteed Party may bring a separate action against the Guarantor without first proceeding against the Company or any other guarantor or any other Person or any other security provided by any Person and without pursuing any other remedy.

Section 6.12 Expenses. The Guarantor agrees to pay or to reimburse the Guaranteed Parties for all reasonable costs and expenses (including reasonable attorney's fees and expenses) that may be incurred by any Guaranteed Party in any effort to enforce any of the provisions of this Guarantee or any of the obligations of the Guarantor under this Guarantee , including all such reasonable costs and expenses (and reasonable attorney's fees and expenses) incurred in any bankruptcy, reorganization, workout or other similar proceeding.

IN WITNESS WHEREOF, Liggett Group Inc. has caused this Guarantee to be duly executed and delivered as of the date first above written.

LIGGETT GROUP INC.

By: /s/ John R. Long

Name: John R. Long
Title: Vice President

Address for Notices:

Liggett Group Inc.
100 Maple Lane
Mebane, North Carolina 27302
Facsimile: (919) 304-7839
Attention: Charles M. Kingan, Jr.

with a copy to:

Vector Group Ltd.
100 S.E. Second Street
Miami, Florida 33131
Telephone: (305) 579-8000
Facsimile: (305) 579-8009

Attention: Richard J. Lampen
Executive Vice President

VECTOR GROUP LTD.
SUPPLEMENTAL RETIREMENT PLAN

VECTOR GROUP LTD., a Delaware corporation (the "Company"), hereby adopts as of the date set forth below the Vector Group Ltd. Supplemental Retirement Plan for the purpose of providing certain select management employees of the Company and its affiliates unfunded deferred compensation benefits payable upon retirement, death or other termination of employment.

SECTION 1
DEFINITIONS

Except as otherwise provided herein, the following terms shall be defined in accordance with this Section 1:

1.1 "Accrued Benefit" shall mean that amount of projected annual retirement benefit set forth on Exhibit A hereto that a Participant who fulfills the terms and conditions of the Plan would receive at his Normal Retirement Date.

1.2 "Actuarial Equivalent" shall mean a form of benefit differing in time, period or manner of payout from the normal form of retirement benefit provided under the Plan but having the same value when computed using post-retirement mortality table 1983-A (M, F) and pre- and post-retirement interest rates of 7.5%.

1.3 "Adopting Employer" means (a) any business entity in which the Company owns a majority interest upon the Effective Date or (b) any other business entity, which, following the Effective Date, is authorized by the Board to adopt the Plan.

1.4 "Anniversary Date" shall mean the Effective Date and each anniversary thereof while the Plan remains in effect.

1.5 "Board" shall mean the Board of Directors of the Company.

1.6 "Committee" shall mean the person, persons or entity designated by the Company to administer the Plan on behalf of the Company and the Adopting Employers.

1.7 "Company" shall mean Vector Group Ltd., a Delaware corporation.

1.8 "Disability" shall mean the total inability of a Participant to perform all of the material duties of the Participant's regular occupation on a full-time basis due to sickness or injury.

1.9 "Disability Retirement Date" shall mean the date selected by the Committee occurring no later than 30 days following the finding by the Committee that a Participant who has incurred a Disability is unlikely to return to active Service prior to attainment of his Normal Retirement Date.

1.10 "Effective Date" shall mean the date set forth in Section 8.1 of the Plan.

1.11 "Employer" shall mean the Company and any Adopting Employer for which a Participant renders service.

1.12 "Employer Contribution" shall mean the contribution by an Employer to the Fund for each Plan Year described in Section 3.1 hereof.

1.13 "Fiscal Year" shall mean the fiscal year of the Company.

1.14 "Fund" shall mean the fund established under the Trust Fund Agreement.

1.15 "Normal Retirement Date" shall mean the January 1 following the Participant's attainment of the later of age 60 or the completion of 8 Years of Service with the Company or an Adopting Employer following the Effective Date.

1.16 "Participant" shall mean any key employee of an Employer who from time to time may be designated on Exhibit A hereto as a participant in the Plan by the Board and who is an active participant in the Plan.

1.17 "Participant Payment Date" shall mean the date on which a Participant's Accrued Benefit shall be paid either in whole or in part to the Participant. Except as set forth in Section 6.4, such date shall be: (a) the Disability Retirement Date of a Participant who has incurred a Disability, (b) that date which falls 30 days following the Normal Retirement Date of a Participant (as such date may be extended pursuant to Section 5.2 hereof), (c) that date selected by the Board occurring no later than 6 months following the

death of a Participant, if the Participant's death takes place prior to any date described in clauses (a), (b) or (d) of this Section 1.17, or (d) that date that falls 30 days following the termination of the Service of a Participant without cause (as defined in Section 4.4 hereof).

1.18 "Participation Ratio" shall mean that percentage equal to a fraction, the numerator of which consists of that number of full Years of Participation of the Participant in the Plan that were completed by the Participant prior to the Participant's termination of Service or incurrence of a Disability and the denominator of which consists of that total number of Years of Participation that would have been required on the part of the Participant for the Participant to attain the Participant's Normal Retirement Date.

1.19 "Plan" shall mean the Vector Group Ltd. Supplemental Retirement Plan, as set forth herein and as the same may be amended from time to time hereafter.

1.20 "Service" shall mean the period of full time continuous employment of the Participant by the Company or an Adopting Employer, following the Effective Date.

1.21 "Trust Fund Agreement" shall mean the Vector Group Ltd. Supplemental Retirement Plan Trust, the purpose of which agreement is to hold the Fund.

1.22 "Trustee" shall mean the trustee serving in such capacity under the Trust Fund Agreement.

1.23 "Year of Participation" shall mean a Year of Service in which the Participant participated in the Plan.

1.24 "Year of Service" shall mean a 12 consecutive month period, in each month of which a Participant is entitled to Compensation by reason of Service.

SECTION 2
DESIGNATION OF PARTICIPANTS AND ELIGIBILITY FOR BENEFITS

2.1 Designation of Participants. The Participants shall be those key employees of the Company or an Adopting Employer that the Board designates to participate in the Plan.

2.2 Eligibility for Benefits. Except as otherwise provided herein, benefits under the Plan shall be payable in respect of a Participant at the Participant Payment Date applicable to the Participant and only by reason of the circumstances provided in Sections 4.1 through 4.4 hereof.

SECTION 3
CONTRIBUTION

3.1 Amount of Employer Contribution. For the Fiscal Year ending with the Effective Date or within which falls the Effective Date and thereafter for each Fiscal Year (or portion thereof) that the Plan remains in effect, an Employer may, in the discretion of the Board, make an Employer Contribution to the Fund in that amount that the Employer shall determine to be necessary or appropriate to provide the benefits under the Plan.

SECTION 4
CIRCUMSTANCES OF PAYMENT; EXCLUSIVITY

4.1 Attainment of Normal Retirement Date. Upon the attainment of a Participant of the Participant's Normal Retirement Date, the Participant shall be vested in the Participant's Accrued Benefit, which shall be paid in the manner set forth in Section 5 hereof to the Participant at the Participant Payment Date of such Participant, as provided in Section 1.16(b) hereof.

4.2 Disability. A Participant in the Service of an Employer who incurs a Disability prior to the attainment of the Participant's Normal Retirement Date shall be vested at the Participant's Disability Retirement Date in that amount equal to: (i) the Actuarial Equivalent of the Participant's Accrued Benefit, multiplied by (ii) the Participant's Participation Ratio, which amount shall be paid in the manner set forth in Section 5 hereof to the Participant at the Participant Payment Date of such Participant, as provided in Section 1.16(a) hereof.

4.3 Death. In the event a Participant in the Service of an Employer dies prior to incurring a Disability or attaining his Normal Retirement Date, such Participant's beneficiary shall be vested in the Actuarial Equivalent of the Participant's Accrued Benefit, which shall be paid in the manner set forth in Section 5 hereof at the Participant Payment Date provided in Section 1.16(c) hereof.

4.4 Termination of Service. In the event of the termination of the Service of a Participant hereunder by an Employer without "cause" (as defined herein)

such Participant shall be vested upon the effective date of such termination of Service in that, amount equal to: (i) the Actuarial Equivalent of the Participant's Accrued Benefit, multiplied by (ii) the Participant's Participation Ratio, which amount shall be paid in the manner set forth in Section 5 hereof at the Participant Date provided in Section 1.16(d) hereof. For purposes of this Section 4.4, the term "cause" shall mean solely an act of fraud or dishonesty by the Participant which constitutes a violation of the penal law of the State of New York and which results in gain or personal enrichment of the Participant at the expense of an Employer or any entity affiliated therewith.

4.5 Exclusivity. A Participant whose Service is terminated upon the Participant's own initiative or for any reason other than as set forth in the foregoing provisions of this Section 4 shall be entitled to no benefits whatsoever under the Plan.

SECTION 5
METHOD AND RECIPIENTS OF PAYMENTS; PLAN ADMINISTRATION

5.1 Normal Payment Method and Recipients of Payments. The normal form of distribution of the benefit payable to a Participant pursuant to this Section 5.1, commencing upon the Participant Payment Date of the Participant, shall be a monthly pension, payable, in the case of a Participant who is married on such date, under a joint and survivor annuity that represents the Actuarial Equivalent of a single life annuity, and in the case of a Participant who is unmarried on such date, under a single life annuity. In the event of the death of a Participant prior to the applicable Participant Payment Date of the Participant, the amount of the death benefit payable in accordance with Section 4.3 hereof

shall be paid in a lump sum to the Participant's beneficiary or beneficiaries theretofore designated by the Participant by filing with the Participant's Employer or the Committee a notice in writing in such form as the Committee may prescribe, and in the absence of such designation, shall be paid to the executors or administrators of the estate of the Participant. The beneficiaries named as aforesaid may be changed at any time by the Participant by amending and forwarding to the Participant's Employer or the Committee a further written designation.

5.2 Extension of Participant Payment Date. With the prior approval of the Company or an Adopting Employer, a Participant may elect to defer the Participant's applicable Participant Payment Date described in Section 1.16(b) to a date no later than 30 days following the Participant's actual termination of Service with the Company or an Adopting Employer, provided such election is entered into prior to the commencement of that calendar year in which would occur such otherwise applicable Participant Payment Date. In the case of any extension of a Participant's applicable Participant Payment Date authorized by this Section 5.2, the Participant shall be entitled upon his actual Participant Payment Date to the Actuarial Equivalent of the Participant's Accrued Benefit.

5.3 Exception to Normal Payout Method. Within the three-month period ending 30 days prior to the applicable Participant Payment Date of a Participant, a Participant may submit a request to the Committee in writing to be paid the Accrued Benefit payable to the Participant commencing upon the applicable Participant Payment Date in the form of a lump sum. The Committee shall approve or disapprove such request

in its discretion and notify the Participant of its decision prior to the applicable Participant Payment Date of the Participant.

5.4 Plan Administration. The general administration of the Plan shall be the responsibility of the Committee, which is hereby authorized, in its discretion, to delegate said responsibilities to an administrator or administrative committee.

SECTION 6
SOURCE OF BENEFITS; NO GUARANTEE OF EMPLOYMENT; NO FUNDING; CONSTRUCTIVE RECEIPT

6.1 Source of Benefits. Benefits payable under the Plan shall be payable either from the general assets of the Company or an Adopting Employer or, in the discretion of the Board, from the Fund. No one of the Trustees, officers, agents or shareholders of the Company or an Adopting Employer, or of the Committee or of any administrator or administrative committee to which any function is delegated pursuant to Section 5.4 hereof, assumes any personal liability for obligations incurred on behalf of the Company or an Adopting Employer or under the Trust Agreement. No Participant's or beneficiary's interest in a Participant's benefits under the Plan shall be greater than that of an unsecured creditor of the Company or an Adopting Employer.

6.2 No Guarantee of Employment. Nothing contained herein shall be construed as a contract of employment or deemed to give any Participant the right to be retained in the employ of any Employer.

6.3 Unfunded Plan. In adopting the Plan and entering into the Trust Fund Agreement, it is the intention of the Company and the Adopting Employers that any benefits to be provided under the Plan shall be deemed unfunded for tax and pension law purposes and that any assets acquired by or held within the Trust shall not be deemed to constitute funding for the benefit of the Participant, or the Participant's beneficiary or estate. Consequently, at all times while the Plan is in effect, the Accrued Benefit of a Participant shall be understood to reflect only a means for the measurement and determination of the amounts to be paid to the Participant pursuant to the terms of the Plan, and a Participant's Accrued Benefit shall not constitute or be treated as a trust fund of any kind, nor shall any assets held under the Trust be deemed to represent security for the performance of any obligation of the Company or an Adopting Employer hereunder but shall at all times be, and remain, their general, unpledged and unrestricted assets.

6.4 Constructive Receipt. In the event that a final determination shall be made by the Internal Revenue Service or any court of competent jurisdiction that by reason of elections made or actions taken hereunder a Participant has recognized gross income for federal, state or local income tax purposes prior to the actual payment of benefits to such Participant to which such gross income is attributable, the Committee shall authorize the payment to the Participant in one lump sum, within 90 days following such final determination, of an amount equal to such recognized income. Thereafter, the Participant may be paid any remaining benefits available to the Participant under the normal terms and conditions hereof, provided, however, that a Participant who receives a distribution

pursuant to the immediately preceding sentence of this Section 6.4 shall have his future benefits reduced in an amount equal to the Actuarial Equivalent of such distribution in such manner and at such time as the Committee may determine.

SECTION 7
NONASSIGNABILITY

7.1 No benefit payable hereunder may be assigned, pledged, mortgaged or hypothecated and, except to the extent required by applicable law, no such benefit shall be subject to legal process or attachment for the payment of any claims of a creditor of a Participant or the beneficiary of such Participant.

SECTION 8
EFFECTIVE DATE; AMENDMENT AND TERMINATION

8.1 Effective Date. This Plan shall be effective as of January 1, 2002 and shall remain in effect through its termination, subject to the provisions of Section 8.2 hereof.

8.2 Amendment and Termination. The Board may at any time, or from time to time, amend this Plan in any respect on a prospective basis or terminate this Plan without restriction and without the consent of any Participant or beneficiary, provided that any such amendment or termination shall not impair the right of any Participant or any beneficiary to be paid benefits earned and vested hereunder prior to such amendment or termination. In the event of the termination of the Plan, each Participant shall be deemed to have attained the Participant's Normal Retirement Date as of the date of such

termination, and the Participant's Accrued Benefit shall be paid to the Participant in accordance with the terms of Sections 4 and 5 hereof.

8.3 Plan Sponsor. The Company shall be the sponsor and named fiduciary of the Plan, which the Company and Adopting Employers have adopted for the benefit of certain designated highly compensated and key management personnel.

SECTION 9
CLAIMS PROCEDURES

9.1 Initial Claim. If the Participant or the Participant's beneficiary (hereinafter referred to as a "Claimant") is denied all or any portion of an expected benefit under this Plan for any reason, the Claimant may file a claim with the Committee. The Committee shall notify the Claimant within 60 days of its allowance or denial of the claim, unless the Claimant receives written notice from the Committee prior to the end of the 60-day period stating that special circumstances require an extension of the time for decision for an additional period not to exceed an additional 60 days. The notice of the Committee's decision shall be in writing, sent by mail to the Claimant's last known address, and, if a denial of the claim, must contain the following information:

(a) the specific reasons for denial;

(b) specific reference to pertinent provisions of the Plan on which the denial is based; and

(c) if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the claims review procedure.

9.2 Review. A Claimant may request a review by the Committee of any denial of the Claimant's claim by submitting in writing such a request within 60 days of the mailing of notice of the denial. The Claimant or the Claimant's representative shall be entitled to review all pertinent documents, and to submit issues and comments in writing. Absent a request for review within such 60-day period, the claim shall be deemed to be conclusively denied.

SECTION 10
MISCELLANEOUS

10.1 Payment to Representatives. If an individual entitled to receive any benefits hereunder is determined by the Committee or is otherwise adjudged to be legally incompetent, they shall be paid to such individual's duly appointed and acting guardian, if any, and if no such guardian is appointed and acting, to such persons as the Committee may designate for the benefit of such individual. Such payment shall, to the extent made, be deemed a complete discharge for such payments under the Plan.

10.2 Timing of Payments. If the Committee is unable to make the determinations required under the Plan in sufficient time for payments to be made when due, the Committee shall make such payments upon the completion of such determinations with interest at a reasonable rate from such due date and may, at its option, make

provisional payments, subject to adjustment, pending the completion of such determinations.

10.3 Withholding, etc. The Employer shall deduct from each payment under the Plan any Federal, state or local withholding or other taxes or charges which an Employer would be required to deduct under applicable law, and any amount so deducted shall be treated as a payment hereunder to the Participant or the Participant's beneficiaries.

10.4 Governing Law. The provisions of this Plan shall be construed according to the laws of the United States and the State of New York, excluding the provisions of any such laws that would require the application of the laws of another jurisdiction.

10.5 Gender and Number. The masculine pronoun wherever used shall include the feminine. Wherever any words are used herein in the singular, they shall be construed as though they were also used in the plural in all cases where they shall so apply.

10.6 Binding Effect. This Agreement shall be binding upon the Company and the Adopting Employers and their successors or assigns.

10.7 Captions. The captions at the head of an article, section or a paragraph of the Plan are designed for convenience of reference only and are not to be resorted to for the purposes of interpreting any provision of the Plan, and in the case of any conflict with the text of the Plan, the text of the Plan shall control.

10.8 Severability. The invalidity of any portion of the Plan shall not invalidate the remainder thereof, which shall continue in full force and effect.

10.9 Communications. Any election, application, claim, notice, or other communication required or permitted to be made by a Participant pursuant to the Plan shall be made in writing and in such form as the Committee shall prescribe. Such communication or notice shall be effective upon receipt, if sent by first class mail, postage prepaid, and addressed to the Committee, c/o the Company's offices at 712 Fifth Avenue, New York, New York 10019-4108.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name by its duly authorized officers, effective as set forth above.

VECTOR GROUP LTD.

/s/ Richard J. Lampen

By: Authorized Signatory

Richard J. Lampen
Executive Vice President

I. GOVERNMENTAL HEALTH CARE RECOVERY ACTIONS

PEOPLE OF THE STATE OF CALIFORNIA, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC194217, Superior Court of California, County of Los Angeles (case filed 7/14/98). People seek injunctive relief and economic reimbursement with respect to damages allegedly caused by environmental tobacco smoke (ETS).

UNITED STATES OF AMERICA V. PHILIP MORRIS, INC., ET AL., Case No. 1:99CVO2496, USDC, District of Columbia (case filed 9/22/99). The United States of America seeks to recover health care costs paid for and furnished, and to be paid for and furnished, by the federal government through Medicare and otherwise, for lung cancer, heart disease, emphysema and other tobacco-related illnesses. In October 2000, the District Court dismissed the government's claims pursuant to the Medicare Secondary Payor Act and the Medical Cost Recovery Act, but denied motions to dismiss RICO claims. Trial is scheduled for July 2003.

CITY OF BELFORD ROXO, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belford Roxo seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF BELIZE V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-8320-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 4/5/01). The Republic of Belize seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products

CITY OF BELO HORIZONTE, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.01-10920-CA-04, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belo Horizonte seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF CARAPICUBIA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10910-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Carapicuiba seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF DUQUE DE CAXIAS, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10917-CA-13, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Duque De Caxias seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF ECUADOR V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-1951-CA-27, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/21/00). The Republic of Ecuador seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products.

REPUBLIC OF ECUADOR V. PHILIP MORRIS INTERNATIONAL, INC., ET AL., Case No. 01-5113, USDC, Florida, Southern District (case filed 12/21/00). The Republic of Ecuador seeks to recover damages suffered by Ecuador, due to alleged misconduct of defendants, specifically loss of taxes and violations to Florida RICO law.

THE STATE OF ESPIRITO SANTO, BRAZIL V. BROOKE GROUP LTD., ET AL., Case No. 00-07472-CA- 03, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County. The State of Espirito Santo, Brazil seeks reimbursement for all costs and damages incurred by the State.

THE STATE OF GOIAS, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 99-24202-CA 02, Circuit Court of the 11th Judicial Circuit, State of Florida-Dade County (case filed 10/19/99). The State of Goias, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF JOAO PESSOA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10919-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Joao Pessoa seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF JUNDIAI, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10924-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Jundiai seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE KYRGYZ REPUBLIC V. THE BROOKE GROUP LTD., ET AL., Case No. 01-01740 CA-25, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Kyrgyz Republic seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF MAGE, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Mage seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF MATO GROSSO DO SUL , BRAZIL, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Circuit Court of the 11th Judicial Circuit, Florida, Dade County (case filed 7/19/00). The State of Mato Grasso do Sul, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF NILOPOLIS - RJ, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10916-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Nilopolis seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF NOVA IGUACU - RJ, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL.,Case No. 01-10909-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001).The City of Nova Iguacu seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PARA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.01-10925-CA-23, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Para seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PARANA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10908-CA-02, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Parana seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PERNAMBUCO, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.01-31241-CA-20, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 12/28/01). The State of Pernambuco seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PIAUI, BRAZIL V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 00-32238 CA 30, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 12/13/00). The State of Piaui, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF RIO DE JANERIO, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Rio De Janerio

seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF RONDONIA, BRAZIL V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 01-10907-CA-09, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Rondonia seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE RUSSIAN FEDERATION , ET AL. V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 00-20918 CA 24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 8/28/00). The Russian Federation seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF SAO BERNARDO DO CARMPO, BRAZIL V, PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10918-CA-11, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Sao Bernardo Do Carmpo seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF TAJIKISTAN V. THE BROOKE GROUP LTD., ET AL., Case No. 01-01736 CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Republic of Tajikistan seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF TOCANTINS, BRAZIL, ET AL. V. THE BROOKE GROUP LTD., INC., ET AL., Case No. 00-28101 CA 05, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The State of Tocantins, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF VENEZUELA V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 99-01943-CA-01, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/27/99). The Republic of Venezuela seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the Medicaid expenses of indigent smokers.

COUNTY OF MCHENRY, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 00L 007949, Circuit Court, Illinois, Cook County (case filed 7/13/00). County of McHenry seeks monetary damages, civil penalties, declaratory and injunctive relief, restitution, and disgorgement of profits

GENERAL SICK FUND (KUPAT HOLIM CLALIT) V. PHILIP MORRIS, INC., ET AL., Case No. 1571/98, District Court, Israel, Jerusalem (case filed 9/28/98). General Sick Fund seeks monetary damages and declaratory and injunctive relief on behalf of itself and all of its members.

REPUBLIC OF PANAMA V. THE AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. 98-17752, Civil District Court, State of Louisiana, Orleans Parish (case filed 10/20/98). The Republic of Panama seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers. Transferred to the Judicial Panel on Multidistrict Litigation in the United States District Court of the District of Columbia on 11/6/00.

THE STATE OF SAO PAULO V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 20 00-02058, Civil District Court, Louisiana, Parish of Orleans (case filed 2/9/00). The State of Sao Paulo seeks reimbursement of the funds expanded on behalf of those injured by and addicted to defendants's tobacco products.

COUNTY OF WAYNE V. PHILIP MORRIS INCORPORATED, ET AL., USDC, Eastern District, Michigan. County of Wayne seeks to obtain damages, remediation through tobacco education and anti-addiction programs, injunctive relief, attorneys' fees and costs.

CITY OF ST. LOUIS, ET AL. V. AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. CV-982-09652, Circuit Court, State of Missouri, City of St. Louis (case filed 12/4/98). City of St. Louis and area hospitals seek to recover past and future costs expended to provide healthcare to Medicaid, medically indigent, and non-paying patients suffering from tobacco-related illnesses.

COUNTY OF ST. LOUIS, MISSOURI V. AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. 982-09705, Circuit Court, State of Missouri, City of St. Louis (case filed 12/10/98). County seeks to recover costs from providing healthcare services to Medicaid and indigent patients, as part of the State of Missouris terms as a party to the Master Settlement Agreement.

THE CROW CREEK SIOUX TRIBE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. CV 97-09-082, Tribal Court of The Crow Creek Sioux Tribe, State of South Dakota (case filed 9/26/97). Indian tribe seeks equitable and injunctive relief for damages incurred by the tribe in paying for the expenses of indigent smokers.

ALABAMA COUSHATTA TRIBE OF TEXAS, THE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 1: 00CV-596, USDC, Texas, Eastern District (case filed 8/30/2000). The Tribe seeks to have the tobacco companies' liability to the Tribe judicially recognized and to restore to the Tribe those funds spent for smoking-attributable costs by the Tribe itself and various state and federal health services.

REPUBLIC OF BOLIVIA V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 6949*JG99, District Court, State of Texas, Brazoria County, State of Texas (case filed 1/20/99). The Republic of Bolivia seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

THE STATE OF RIO DE JANERIO OF THE FEDERATED REPUBLIC OF BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. CV-32198, District of Angelina County, State of Texas (case filed 7/12/99). The State of Rio de Janerio of The Federated Republic of Brazil seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

II. THIRD-PARTY PAYOR ACTIONS

FIBREBOARD CORPORATION, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 791919-8, Superior Court of California, County of Alameda (case filed 11/10/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

CENTRAL ILLINOIS LABORERS HEALTH & WELFARE TRUST FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-L516, USDC, Southern District of Illinois (case filed 5/22/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

GROUP HEALTH PLAN, INC., ET AL. V. PHILIP MORRIS, ET AL., Case No. 98-1036 DSD/JMM, USDC, Second Judicial District, Ramsey County, State Of Minnesota (case filed 3/13/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

GASKET HOLDINGS, ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-065, Circuit Court, Mississippi, Claiborne County (case filed 4/18/01). Manufacturing and individual plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

KAISER ALUMINUM & CHEMICAL CORPORATION, ET AL V. RJR NABSICO, ET AL., Case No. 2000-615, Circuit Court of Mississippi, Jefferson County (case filed 12/15/00). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

OWENS-ILLINOIS, INC. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 00-0077, Circuit Court, Mississippi, Sharkey County (case filed 4/9/01). Asbestos manufacturer seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

BERGERON, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. CV 99 6142, USDC, State of New York, Eastern District (case filed 10/8/99). This action seeks is brought on behalf of the trustees and fiduciaries of the Massachusetts State Carpenters Health and Benefits Funds on behalf of themselves and other similarly situated trustees of Taft Hartley Health & Welfare funds.

BLUE CROSS AND BLUE SHIELD OF NEW JERSEY, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 98-3287, New York, Eastern District. Judgment entered on behalf of Defendants. Action brought on behalf of twenty-four Blue Cross/Blue Shield insurers seeking to recover health care costs attributable to smoking. Judgment has been entered on a jury verdict and award of attorneys fees in favor of one plan, Empire Blue Cross and Blue Shield. Notices of Appeal from that Judgment have been filed.

KEENE CREDITORS TRUST V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case no. 606479/97, Supreme Court of New York, New York County (case filed 12/19/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco company defendants.

NATIONAL ASBESTOS WORKERS MEDICAL FUND, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 98-1492, USDC, Eastern District of New York (case filed 3/23/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

RAYMARK INDUSTRIES, INC. V. BROWN & WILLIAMSON, ET AL., Case No. 98-CV-675, USDC, Eastern District of New York (case filed 5/21/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco company, Defendants. The action is currently stayed pending the appeal in Blue Cross and Blue Shield, et al. Case No. 98-3287, New York, Eastern District.

III. CLASS ACTION CASES

FLETCHER, ET AL. V. BROOKE GROUP LTD., Civil Action No. 97-913, Circuit Court of Mobile County, Alabama (Case filed 3/19/97). Nationwide class of individuals alleging smoking-related claims. The limited fund settlement was preliminarily approved by the court in December 1998. Final approval of the limited fund settlement was denied on July 22, 1999. A motion for reconsideration of that order presently is pending

BROWN, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 711400, Superior Court of California, County of San Diego (case filed 10/1/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in California.

SIMS, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 1:01CV01107, USDC, District of Columbia (case filed 5/23/01). Plaintiffs bring this class action to recover the purchase price paid by plaintiffs and class members while they were under age through the use of fraud, deception, misrepresentation and other activities constituting racketeering, in violation of federal law.

ENGLE, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 94-08273 CA 20, Circuit Court, State of Florida, Dade County (case filed 5/5/94). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Florida. The case was certified as a class action on October 31, 1994. Trial commenced in July 1998. A judgment for compensatory and punitive damages, which judgment presently is on appeal was entered in November 2000. See Note 6, Contingencies, for a more detailed discussion of this case.

CLEARY, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 98 L06427, Circuit Court of the State of Illinois, Cook County (case filed 6/11/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated smokers resident in Illinois.

NORTON, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 48-D01-9605-CP-0271, Superior Court of Indiana, Madison County (case filed 5/3/96). This personal injury class action is brought on behalf of plaintiff and all similarly situated injured smokers resident in Indiana.

BRAMMER, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 4-97-CV-10461, USDC, Southern District of Iowa (case filed 6/30/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiffs and all similarly situated allegedly addicted smokers resident in Iowa.

YOUNG, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 2:97-CV-03851, Civil District Court, State of Louisiana, Orleans Parish (case filed 11/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Louisiana.

RICHARDSON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 96145050/CL212596, Circuit Court, Baltimore City, Maryland (case filed on 5/29/96). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Maryland.

LEWIS, TARJI, ET AL. V. PHILIP MORRIS, INCORPORATED, ET AL.,Case No. MICV2000-03447, Superior Court, Massachusetts, Middlesex County. This class action is brought on behalf of Massachusetts residents who began smoking under the legal age and who now wish to quit.

VANDERMEULEN, THERESA, ET AL. V. PHILIP MORRIS COMPANIES INC., ET AL., Case No. 00-030548 CZ, Circuit Court, Michigan, Wayne County. This class action is brought on behalf of all Michigan smokers due to defendants' negligence,

violation of Michigan Consumer Protection Act, breach of contract/warranty and fraudulent concealment.

WHITE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 5:97-CV-91BRS, Chancery Court of Mississippi, Jefferson County (case filed 4/24/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Mississippi.

BADILLO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. CV-N-97-573-HDM (RAM), USDC, District of Nevada (case filed 11/4/97). This action is brought on behalf of all Nevada casino workers that allegedly have been injured by exposure to environmental tobacco smoke.

AVALLONE, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. MID-L-4883-98, Superior Court of New Jersey, Middlesex County (case filed 5/5/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated non-smokers allegedly injured from exposure to second hand smoke resident in New Jersey.

COSENTINO, ET AL. V. PHILIP MORRIS, ET AL., Case No. L-5135-97, Superior Court of New Jersey, Law Division, Middlesex County (case filed 5/21/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in New Jersey.

BROWNE, ET AL. V. PHILIP MORRIS USA, ET AL., Case No CV-2-599, USDC, Eastern District, of New York (case filed 1/28/02). This personal injury class action is brought on behalf of plaintiffs to recover compensatory damages from smoking related injuries.

EBERT, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 00-CV-4632, New York Eastern District. Liggett has not been served.

GEIGER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Index No. 10657/97, Supreme Court of New York, Queens County (case filed 1/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated injured smokers resident in New York.

MASON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. CV00-4442, USDC, Eastern District of New York. This nationwide taxpayer putative class action seeks reimbursement of Medicare expenses made by the United States government. Transferred from the Eastern District of Texas.

SIMON, ET AL. V. PHILIP MORRIS INC, ET AL., Case No CV 99 1988, USDC, Eastern District of New York (case filed 4/9/99). This personal injury action is brought on behalf of plaintiffs seeking certification of a nationwide class under the applicable provisions of Rule 23 of the Federal Rules of Civil Procedure, on behalf of persons who have smoked defendant's cigarettes and who presently have a claim for personal injuries or damages, or wrongful death, arising from the smoking of defendants' cigarettes.

IN RE SIMON (II) LITIGATION, Case No 00-CV-5332, USDC, Eastern District of New York (case filed 9/6/2000). This action consolidates claims of ten other individual and class action personal injury tobacco cases, and is brought on behalf of plaintiffs seeking certification of a nationwide class under the applicable provisions of Rule 23 of the Federal Rules of Civil Procedure. Motion for class certification is fully briefed and pending before the Court. (Consolidated Cases: 99-CV-1988, 00-CV-2340, 00-CV-4632, 00-CV-4442, 98-CV-1492, 99-CV-6142, 98-CV-3287, 98-CV-7658, 98-CV-0675, 99-CV-7392)

CREEKMORE, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. 98 CV 03403, Superior Court of North Carolina, Buncombe County (case filed 11/19/98). This personal injury class action is brought on behalf of plaintiffs and all similarly situated allegedly injured smokers resident in North Carolina.

TRIVISONNO, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 459031, Court of Common Pleas, Ohio, Cuyahoga County. This personal injury class action is brought by behalf of plaintiff and all Ohio residents.

LOWE, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 0111-11835, Circuit Court, Oregon, Multnomah County. This personal injury class action is brought on behalf of plaintiff and all Oregon residents who have smoked cigarettes, but who have been diagnosed with lung cancer or smoking-related pulmonary disease.

MYERS, ET AL. V. ARTHUR A. HAYES, JR., ET AL., Case No. 00C1773, Circuit Court, Davidson County, Tennessee. This action is for injunctive relief and damages. Plaintiffs allege a class action against the tobacco defendants for their smoking related medical expenses paid by Medicaid and/or Tennessee health care providers in violation of 42 USCS 1981 et seq., 18 USCS 241, and 42 USCS 1986.

JACKSON, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 980901634PI, 3rd Judicial Court of Utah, Salt Lake County (case filed 3/10/98). This "addiction-as-injury" class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Utah.

INGLE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-C-21-S, Circuit Court, State of West Virginia, McDowell County (case filed 2/4/97). This personal injury putative class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in West Virginia.

IN RE TOBACCO MM (6000) (BLANKENSHIP), Case No. 00-C-6000, Circuit Court, West Virginia, Ohio County. Class action seeking payments for costs of

medical monitoring for current and former smokers. Liggett was severed from trial of other tobacco company defendants. Judgment upon jury verdict in favor of other tobacco company defendants on appeal.

MCCUNE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 97-C-204, Circuit Court, State of West Virginia, Kanawha County (case filed 1/31/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in West Virginia.

PARSONS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 98-C-388, Circuit Court, State of West Virginia, Kanawha County (case filed 4/9/98). This personal injury class action is brought on behalf of plaintiff's decedent and all West Virginia residents having claims for personal injury arising from exposure to both cigarette smoke and asbestos fibers.

WALKER, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 2:97-0102, USDC, Southern District of West Virginia (case filed 2/12/97). Nationwide class certified and limited fund class action settlement preliminarily approved with respect to Liggett and Brooke Group on May 15, 1997. Class decertified and preliminary approval of settlement withdrawn by order of district court on August 5, 1997, which order currently is on appeal to the Fourth Circuit.

IV. INDIVIDUAL SMOKER CASES

SPRINGER V. LIGGETT GROUP INC. AND LIGGETT & MYERS, INC., Case No. LR-C-98-428, USDC, Eastern District of Arkansas (case filed 7/19/98). Two individuals suing. Liggett is the only defendant.

BIRREN, D., ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. RIC 356880, Superior Court, Riverside County, California (case filed 04/03/01). Two individuals suing.

BROWN, D., ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC 226245, Superior Court, Los Angeles County, California (case filed 3/9/00). One individual suing. Liggett has not been served.

BROWN V., ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00AS02085, Superior Court, Sacramento County, California (case filed 4/18/00). Two individuals suing.

CRAYTON V. SAFEWAY, INC., ET AL., Case No. RDC 820871-0, Superior Court, Alameda County, California (case filed 1/18/00). One individual suing.

DONALDSON, ET AL. V. RAYBESTOS MANHATTAN, INC., ET AL., Case No.998147, Superior Court of California, County of San Francisco (case filed 9/25/98). Two individuals suing.

ELLIS V. THE AMERICAN TOBACCO CO., ET AL., Case No. 804002, Superior Court of California, County of Orange (case filed 1/13/99). One individual suing.

LONG, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. CV-00-12679, USDC, Central District, California (case filed 3/2/00). Two Individuals suing.

LAMB, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. RIC 343417, Superior Court, Riverside County, California (case filed 5/26/00). Two individuals suing.

MCDONALD, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2002-044907, Superior Court, Alameda County, California (case filed 0321/02).Three individuals suing.

MORSE V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 822825-9, Superior Court, Alameda County, California. One individual suing.

REIN V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 807453-1, Superior Court of California, County of Alameda (case filed 5/5/99). One individual suing.

ROBINSON, ET AL. V. RAYBESTOS-MANHATTAN, INC., ET AL., Case No. 996378, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

ROBINSON, ET AL. V. RAYBESTOS- MANHATTAN, ET AL., Case No. 309286, Superior Court, California, County of San Francisco (case filed 1/18/00). Three individuals suing.

SELLERS, ET AL. V. RAYBESTOS-MANHATTAN, ET AL., Case No. 996382, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

SOLIMAN V. PHILIP MORRIS INCORPORATED, ET AL, Case No. 31105, Superior Court, San Francisco County, California (case filed 3/28/00). One individual suing.

STERN, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. M37696, Superior Court of California, County of Monterey (case filed 4/28/97). Two individuals suing.

WILLIAMS, KATHLEEN, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. C01-04164, Superior Court of California, Contra Costa County (case filed 10/16/2001). Two individuals suing.

PLUMMER, BRENDA, ET AL. V. THE AMERICAN TOBACCO., Case No. 6480, Superior Court, District of Columbia. Three individuals suing.

ARMAND V. PHILIP MORRIS, ET AL., Case No. 97-31179-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/9/97). Two individuals suing.

ATCHESON V. R. J. REYNOLDS, ET AL., Case No. 97-31148-CICU, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

BARTLEY, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11153, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/21/97). Two individuals suing.

BLAKE, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 01-13549, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 6/7/01). Two individuals suing.

BLAIR V. R. J. REYNOLDS, ET AL., Case No. 97-31177, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

BLANK V. PHILIP MORRIS, ET AL., Case No. 97-05443, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

BRITAN, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 01-13451, County Court of the 11th Judicial Circuit, Florida, Miami-Dade County. One individual suing.

BRONSTEIN, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008769, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

BURNS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11175-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). One individual suing.

CLARK V. LIGGETT GROUP INC., Case No. 95-3333-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Dade County (case filed 8/18/95). One individual suing. Liggett only defendant.

COWART V. LIGGETT GROUP INC, ET AL., Case No.98-01483CA, Circuit Court of the 11th Judicial Circuit, State of Florida, Duval County (case filed 3/16/98). One individual suing.

DAVIS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11145, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

DAVISON, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008776, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

DE LA TORRE, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11161, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

DILL V. PHILIP MORRIS, ET AL., Case No. 97-05446, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). One individual suing.

DOUGHERTY V. PHILIP MORRIS INC., ET AL., Case No. 1999 32074 CICI, Circuit Court, State of Florida, Volusia County (case filed 11/17/99). One individual suing.

DUECKER V. LIGGETT GROUP INC., Case No. 98-03093 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/5/98). One individual suing. Liggett is the only defendant.

EASTMAN V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 01-98-1348, Circuit Court of the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 3/11/98). One individual suing.

FLAKS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008750, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

GARRETSON, ET UX. V. R.J. REYNOLDS, ET AL., Case No. 97-32441 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 10/22/96). One individual suing.

GOLDBERG, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-008780, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

GRAY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-21657 CA 42, Circuit Court of the 11th Judicial Circuit, State of Florida, Putnam County (case filed 10/15/97). Two individuals suing.

GUARCH, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 02-3308 CA 22, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 2/5/02). Two individuals suing.

HALEN V. R.J. REYNOLDS, ET AL., Case No. CL 96005308, Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 6/19/96). One individual suing.

HARRIS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-1151, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

HART, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 9708781, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

HAYES, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 97-31007, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/30/97). Two individuals suing.

HENIN V. PHILIP MORRIS, ET AL., Case No. 97-29320 CA 05, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 12/26/97). One individual suing.

HENNING. ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11159, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

HITCHENS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No.97008783, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97).

KATZ V. BROWN & WILLIAMSON, ET AL., Case No. 95-15307-CA-01, USDC, Southern District of Florida (case filed 8/3/95). One individual suing. Plaintiff has dismissed all defendants except Liggett Group Inc.

KALOUSTIAN V. LIGGETT GROUP INC., ET AL., Case No. 95-5498, Circuit Court for the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 8/28/95). Two individuals suing.

KRUEGER, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 96-1692-CIV-T-24A, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

LAPPIN V. R.J. REYNOLDS, ET AL., Case No. 97-31371 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

LEVINE V. R.J. REYNOLDS, ET AL., Case No. CL 95-98769 (AH), Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 7/24/96). One individual suing.

LOBLEY V. PHILIP MORRIS, ET AL., Case No. 97-1033-CA-10-L, Circuit Court of the 18th Judicial Circuit, State of Florida, Seminole County (case filed 7/29/97). Two individuals suing.

LUKACS, JOHN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Circuit Court of the 11th Judicial Circuit Court, Florida, Miami-Dade County. One individual suing.

LUSTIG, ET AL. V. BROWN & WILLIAMSON TOBACCO CO., ET AL., Case No. 97 11168, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

MAGLIARISI, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008895, Circuit Court of the 17 Judicial Circuit, State of Florida, Broward County (case filed 6/11/97). One individual suing.

MANLEY, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11173-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). Two individuals suing.

MECKLER, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-03949-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/10/97). One individual suing.

MULLIN V. PHILIP MORRIS, ET AL., Case No. 95-15287 CA 15, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/7/95). One individual suing.

O'ROURKE V. LIGGETT GROUP INC., ET AL., Case No. 97-31345-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

PEREZ, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 96-1721-CIV-T-24B, USDC, Middle District of Florida (case filed 8/20/96). One individual suing.

PHILLIPS V. R.J. REYNOLDS, ET AL., Case No. 97-31278, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 5/27/97). One individual suing.

PIPOLO V. PHILIP MORRIS, ET AL., Case No. 97-05448, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

PULLARA, RUBY M. , ET AL. V. LIGGETT GROUP, INC. , ET AL., Case No. 01-1626-Div. C, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. Two individuals suing.

RAUCH, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11144, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

RAWLS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-01354 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 3/6/97). One individual suing.

REBANE, ET AL. V, BROWN & WILLIAMSON, ET AL., Case No. CIO-00-0000750, Circuit Court, Florida, Orange County, (case filed 2/1/00). Two individuals suing.

RODRIGUEZ V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 02-04912-CA-11, Circuit Court, Florida, Miami-Dade County. One individual suing.

SCHULTZ V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 99019898, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 11/24/99). One individual suing.

SHAW, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008755, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

SPOTTS V. R.J. REYNOLDS, ET AL., Case No. 97-31373 CICI, Circuit Court of the 4th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). One individual suing.

STAFFORD V. BROWN & WILLIAMSON, ET AL., Case No. 97-7732-CI-019, Circuit Court of the 6th Judicial Circuit, State of Florida, Pinellas County (case filed 11/14/97). One individual suing.

STEWART, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 97 2025 CA, Circuit Court of the 5th Judicial Circuit, State of Florida, Lake County (case filed 9/16/97). Two individuals suing.

STRICKLAND, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 98-00764, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 1/8/98). Two individuals suing.

STROHMETZ V. PHILIP MORRIS, ET AL., Case No. 98-03787 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/16/98). One individual suing.

SWANK-REICH V. BROWN & WILLIAMSON, ET AL., Case No. 97008782, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

THOMSON, BARRY, V. R.J. REYNOLDS, ET AL., Case No. 97-400-CA, Circuit Court of the 7th Judicial Circuit, State of Florida, Flagler County (case filed 9/2/97). One individual suing.

THOMSON, EILEEN, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11170, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

VENTURA V. R.J. REYNOLDS TOBACCO CO., ET AL., Case No. 97-27024 CA (09), Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/26/97). One individual suing.

WASHINGTON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-10575 CIDL, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). Two individuals suing.

WEIFFENBACH, ET UX. V. PHILIP MORRIS, ET AL., Case No. 96-1690-CIV-T-24C, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

WISCH V. LIGGETT GROUP INC., ET AL., Case No. 97-008759, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

BROWN-JONES V. THE AMERICAN TOBACCO CO., ET AL., Case No. 98-RCCV-28, Superior Court of Georgia, Richmond County (case filed 1/13/98). Two individuals suing.

DELUCA V. LIGGETT & MYERS, ET AL., Case No. 00L13792, Circuit Court, Cook County, Illnois County (case filed 11/29/00). One individual suing.

DENBERG, ET AL. V. AMERICAN BRANDS, INC., ET AL., Case No.97L07963, USDC, Northern District of Illinois (case filed 8/13/97) (formerly Daley). Four individuals suing.

GRONBERG, ET AL. V. LIGGETT & MYERS, ET AL., Case No. LA-CV-080487, District Court, State of Iowa, Black Hawk County (case filed 3/30/98). Two individuals suing.

KOBOLD, ET AL. V. BAT INDUSTRIES, ET AL., Case No. CL-77551, District Court, State of Iowa, Polk County (case filed 9/15/98). Two individuals suing.

MAHONEY V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LALA5187(S), District Court, Iowa, Lee County (case filed 4/13/01). One individual suing.

MASON V. AMERICAN BRANDS, INC., ET AL., Case No. CL7922, District Court, State of Iowa, Polk County (case filed 4/13/99). One individual suing.

MITCHELL, ET AL. V. LIGGETT & MYERS, ET AL., Case No. C00-3026, USDC, State of Iowa, Northern District (case filed 4/19/00). Two individuals suing.

WELCH, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LA CV 017535, District Court, Iowa, Shelby County (case filed 1016/2000). Two individuals suing.

WRIGHT, ET AL. V. BROOKE GROUP LIMITED, ET AL., Case No. LA CV 05867, District Court, State of Iowa, Cerro Gordo County (case filed 11/10/99). Two individuals suing.

BADON, ET UX. V. RJR NABISCO INC., ET AL., Case No. 10-13653, USDC, Western District of Louisiana (case filed 5/24/94). Six individuals suing.

DIMM, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 53919, 18th Judicial District Court, Parish of Iberville, Louisiana. Seven individuals suing.

NEWSOM, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 105838, 16th Judicial District Court, Parish of St. Mary, Louisiana (case filed 5/17/00). Five individuals suing.

OSER V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-9293, Civil District of the Judicial District Court, State of Louisiana, Orleans Parish (case filed 5/27/97). One individual suing.

RACCA, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 10-14999, 38th Judicial District Court, State of Louisiana, Cameron Parish (case filed 7/16/98). Eleven individuals suing.

ALLEN, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-92335504, Circuit Court, Maryland, Baltimore City. Two individuals suing.

ARATA, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-91184521, Circuit Court, Maryland, Baltimore City. Four individuals suing.

BONDURA, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-94-077502, Circuit Court, Maryland, Baltimore City. Two individuals suing.

CARAVELLO, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95-15350, Circuit Court, Maryland, Baltimore City. Two individuals suing.

CERRO, ET AL., V. A C AND S INC., ET AL., Case No. 24-X-95-146536, Circuit Court, Maryland, Baltimore City. Four Individuals suing.

DINGUS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-91290503, Circuit Court, Maryland, Baltimore City. Two individuals suing.

DOLBOW, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95146535, Circuit Court, Maryland, Baltimore City. Two individuals suing.

DREYER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-90-358501, Circuit Court, Maryland, Baltimore City (case filed 12/28/95). Two individuals suing.

ERCOLE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-97127510, Circuit Court, Maryland, Baltimore City (case filed 5/7/97). Three individuals suing.

FOSTER, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-95160532, Circuit Court, Maryland, Baltimore City. Two individuals suing.

FOX, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-96-239541, Circuit Court, Maryland, Baltimore City. Two individuals suing.

GORDON, ET AL. V. PORTER-HAYDEN COMPANY, ET AL., Case No. 24-X-9236510, Circuit Court, Maryland, Baltimore City. Two individuals suing.

HEATH, ET AL. V. A C AND S INC., ET AL., Case No.24-X-01-001681, Circuit Court, Maryland, Baltimore City (case filed 10/24/01). Two individuals suing.

HENDRICKS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X87294545, Circuit Court, Maryland, Baltimore City. Two individuals suing.

HRICA, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-94334514, Circuit Court, Maryland, Baltimore City. Two individuals suing.

HUNTER, ET AL. V. EAGLE PICHER INDUSTRY, INC., ET AL., Case No. 24-X-90274519, Circuit Court, Maryland, Baltimore City (case filed 2/27/98). Two individuals suing.

INGRAM, ET AL. V. B. F. GOODRICH COMPANY, ET AL., Case No. 24-X-01-002030, Circuit Court, Maryland , Baltimore City (case filed 12/10/01). Two individuals suing.

JOHNSON, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95146511, Circuit Court, Maryland, Baltimore City (case filed 1/6/97). Two individuals suing.

JONES, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-95146513, Circuit Court, Maryland, Baltimore City. Two individuals suing.

JORDON, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X95-055503, Circuit Court, Maryland, Baltimore City. Three individuals suing.

KELLY, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95265505, Circuit Court, Maryland, Baltimore City. Two individuals suing.

MAYES, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 94028509, Circuit Court, Maryland, Baltimore City (case filed10/18/01). Two individuals suing.

MCCORMACK, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-90-358501, Circuit Court, Maryland, Baltimore City (case filed 8/1/90). Two individuals suing.

PURDY, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-95153533, Circuit Court, Maryland, Baltimore City. Two individuals suing.

PRZYWARA, ET AL., V. A C AND S INC., ET AL., Case No. 24-X-97339519, Circuit Court, Maryland, Baltimore City. Two individuals suing.

RUSCITO, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-89258530, Circuit Court, Maryland, Baltimore City. Two individuals suing.

SASSLER, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X96341506, Circuit Court, Maryland, Baltimore City. Three individuals suing.

SCHAFFER, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-95146529, Circuit Court, Maryland, Baltimore City. Two individuals suing.

SCOTT, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-90-358501, Circuit Court, Maryland, Baltimore City (case filed10/2/95). Two individuals suing.

SILBERSACK, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-97083510, Circuit Court, Maryland, Baltimore City (case filed 3/24/96). Three individuals suing.

STOVER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95167503, Circuit Court, Maryland, Baltimore City. Three individuals suing.

THAMES, ET AL. V. A C AND S INC., ET AL., Case No. 24-X94-325506, Circuit Court, Maryland, Baltimore City (case filed 11/21/94). Two individuals suing.

WALTON, ET AL. V. OWENS CORNING CORPORATION, ET AL., Case No. 24-X-94028508, Circuit Court, Maryland, Baltimore City. Two individuals suing.

WILSON, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-95146533, Circuit Court, Maryland, Baltimore City (case filed 5/26/95). Three individuals suing.

VAN DANIKER, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 97139541CX835, Circuit Court, Maryland, Baltimore City (case filed 10/26/01). One individual suing.

ZNOVENA, ET AL. V. AC AND S INC., ET AL., Case No. 24-X-97240553CX1848, Circuit Court, Maryland, Baltimore City (case filed 8/24/98). Two individuals suing.

ADAMS, ESTATE OF PHYLLIS, ET AL. V. R. J. REYNOLDS, et al., Case No. 00-2636, Superior Court, Middlesex County, Massachusetts. Two individuals suing.

CAMERON V. THE TOBACCO INSTITUTE, INC., ET AL., Case No. 98-4960, Superior Court of Massachusetts, Middlesex County (case filed 8/3/98). One individual suing.

MONTY V. HARVARD PILGRIM HEALTH CARE, ET AL., Demand Letter. Superior Court, Massachusetts.

NYSKO, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. Three individual suing.

PISCIONE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. One individual suing.

SATCHELL V. THE TOBACCO INSTITUTE, INC., ET AL., Demand Letter. Superior Court, Massachusetts.

ANDERSON, HARVEY, L., ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2002-309, Chancery Court, Mississippi, Adams County (case filed 4/25/02). Two individuals suing.

BANKS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2000-136, Circuit Court, Mississippi, Jefferson County (case filed 12/22/2000). Six individuals suing.

BARKER, PEARLIE, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2001-64, Circuit Court, Mississippi, Jefferson County (case filed 3/30/01). Three individuals suing.

BELL, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2001-271, Chancery Court, Mississippi, Jefferson County (case filed 12/18/01). Six individuals suing.

BLYTHE V. RAPID AMERICAN CORPORATION, ET AL., Case No. CI 96-0080-AS, Circuit Court, Mississippi, Jackson County (case filed 9/23/96). One individual suing.

BROWN, GLAYSON, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2001-0022(1) Circuit Court, Mississippi, George County (case filed 3/30/01). Two Hundred Twenty-Four (224) individuals suing.

COCHRAN, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2001-0022(1), Circuit Court, Mississippi, George County (case filed 2/6/01). Twenty-six individuals suing.

COLENBERG, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 200-169, Circuit Court, Mississippi, Jefferson County (case filed 10/18/00). Twenty-eight individuals suing.

COOK, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2001-166, Chancery Court, Mississippi, Claiborne County (case filed 10/01/01). Two individuals suing.

ESTATE OF ED DOSS, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 99-0108, Circuit Court, State of Mississippi, Jefferson County (case filed 8/17/99). Nine individuals suing. Liggett has not been served.

GALES, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2000-170, Circuit Court, Mississippi, Jefferson County (case filed 9/18/00). Seven individuals suing.

GOSS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No.2002-308, Chancery Court, Mississippi, Adams County (case filed

HARRIED, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-041, Chancery Court, Mississippi, Jefferson County (case filed 03/01/02). Two individuals suing.

HESS, ET AL. V. BRITISH AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-0124, Circuit Court, Mississippi, Wilkerson County (case filed 11/27/01). One individual suing.

HILL, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2001-163, Chancery Court, Mississippi, Claiborne County (case filed 9/27/01). Two individuals suing.

JACKSON, ET AL. V. R. J. REYNOLDS, ET AL., Case No., Circuit Court, State of Mississippi, Jefferson County. This action seeks judgment from both the tobacco manufacturing defendants and the asbestos manufacturing defendants for joint and several liability

JENNINGS, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2000-238, Circuit Court, Mississippi, Claiborne County (case filed 11/2/00). Fourteen individuals suing.

LANE, ET AL. V. R. J. REYNOLDS, ET AL., Case No. CI 00-00239, Circuit Court, Mississippi, Forrest County (case filed 2/6/01). Six individuals suing.

MCDOUGLE, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-040, Chancery Court, Mississippi, Jefferson County (case filed 03/01/02). Three individuals suing.

MCGEE, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2000-596, Circuit Court, Mississippi, Jefferson County (case filed 11/16/00). Nineteen individuals suing.

STARKS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-071, Chancery Court, Mississippi, Jefferson County (case filed 04/25/02). Three individuals suing.

WILSON, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-208, Chancery Court, Mississippi, Adams County (case filed 03/15/02). Four Individuals suing.

BAYRO, ET AL. V. PHILIP MORRIS, INC., ET AL., Circuit Court, Missouri, Jackson County. Three individuals suing. Liggett has not yet been served with the complaint.

DAVIS, ET AL. V. AMERICAN TOBACCO COMPANY, ET AL., Case No. 2:00-CV-26-CEJ, USDC, Missouri, Eastern District (case filed 9/25/00). Two individuals suing.

ARMENDARIZ V. PHILIP MORRIS, ET AL., Case No. 999/862, District Court, Nebraska, Douglas County (case filed 11/17/00). One individual suing.

MUMIN V. PHILIP MORRIS, ET AL., Doc. 1000 No. 46, District Court, Nebraska, Douglas County (case filed 11/27/00). One Individual suing.

HOWARD, ET AL. V. PHILIP MORRIS, INC., ET AL., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

FRENCH, ET AL. V. PHILIP MORRIS, ET AL., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

CAHN, ET UX. V. UNITED STATES AMERICA, ET AL., Superior Court, Monmouth County, New Jersey. Two individuals suing.

HAINES (ETC.) V. LIGGETT GROUP INC., ET AL., Case No. C 6568-96B, USDC, District of New Jersey (case filed 2/2/94). One individual suing.

KLEIN, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. L-7798-00, Superior Court, Middlesex, New Jersey (case filed 9/21/00). Two individuals suing.

MUELLER V. PHILIP MORRIS INCORPORATED, ET AL., Case No. L-8417-01, Superior Court, Middlesex, New Jersey (case Filed 9/5/01). One individual suing.

ALTMAN, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 97-123521, Supreme Court of New York, New York County (case filed 12/16/97). Seven individuals suing.

ARNETT, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 109416/98, Supreme Court of New York, New York County (case filed 5/29/98). Nine individuals suing.

BELLOWS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 122518/97, Supreme Court of New York, New York County (case filed 11/26/97). Five individuals suing.

BRAND, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 29017/98, Supreme Court of New York, Kings County (case filed 12/21/98). Two individuals suing.

BRANTLEY, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 0114317/01, Supreme Court of New York, New York County. Six individuals suing.

CAIAZZO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 13213/97, Supreme Court of New York, Richmond County (case filed 10/27/97). Six individuals suing.

CAMERON V. THE AMERICAN TOBACCO CO., ET AL., Case No. 019125/97, Supreme Court of New York, Nassau County (case filed 7/18/97). Five individuals suing.

CANAAN V. PHILIP MORRIS INC., ET AL., Case No. 105250/98, Supreme Court of New York, New York County (case filed 3/24/98). One individual suing.

CARLL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112444/97, Supreme Court of New York, New York County (case filed 8/12/97). Five individuals suing.

CAVANAGH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.11533/97, Supreme Court of New York, Richmond County (case filed 4/23/97). Two individuals suing.

COLLINS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 08322/97, Supreme Court of New York, Westchester County (case filed 7/2/97). Nine individuals suing.

CONDON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 108902/97, Supreme Court of New York, New York County (case filed 2/4/97). Seven individuals suing.

CRANE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.106202-97, USDC, Southern District of New York (case filed 4/4/97). Four individuals suing.

CREECH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 106202-97, Supreme Court of New York, Richmond County (case filed 1/14/97). Four individuals suing.

CRESSER, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 36009/96, Supreme Court of New York, Kings County (case filed 10/4/96). Two individuals suing.

DA SILVA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.106095/97, Supreme Court of New York, New York County (case filed 1/14/97). Six individuals suing.

DOMERACKI V. PHILIP MORRIS, ET AL., Case No. 98/6859, Supreme Court of New York, Erie County (case filed 8/3/98). One individual suing.

DOUGHERTY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-09768, Supreme Court of New York, Suffolk County (case filed 4/18/97). Two individuals suing.

DZAK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 26283/96, Supreme Court of New York, Queens County (case filed 12/2/96). Five individuals suing.

EVANS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28926/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

FRANKSON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 24915/00, Supreme Court, New York, Kings County. Four individuals suing.

FINK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 110336/97 Supreme Court of New York, New York County (case filed 4/25/97). Six individuals suing.

GOLDEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112445/97, Supreme Court of New York, New York County (case filed 8/11/97). Six individuals suing.

GRECO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15514-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

GUILLOTEAU, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 46398/97, Supreme Court of New York, Kings County (case filed 11/26/97). Four individuals suing.

HANSEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.97-26291, Supreme Court of New York, Suffolk County (case filed 4/12/97). Six individuals suing.

HAUSRATH, ET AL. V. PHILIP MORRIS INC., ET AL, Case No. I2001-09526, Superior Court, New York, Erie County (case filed 01/24/02). Two individuals suing. Liggett has not yet been served with the complaint.

HELLEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28927/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

INZERILLA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11754/96, Supreme Court of New York, Queens County (case filed 7/16/96). Two individuals suing.

JAUST, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 116249/97, Supreme Court of New York, New York County (case filed 10/14/97). Ten individuals suing.

JEFFERSON, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Supreme Court of New York, Richmond County. Two individuals suing.

JULIANO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 12470/97, Supreme Court of New York, Richmond County (case filed 8/12/96). Four individuals suing.

KEENAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 116545-97, Supreme Court of New York, New York County (case filed 10/6/97). Eight individuals suing.

KENNY , ET AL. V. PHILIP MORRIS USA, ET AL., Case No. 111486/01, Supreme Court, New York, New York County. Two individuals suing.

KESTENBAUM, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 109350/97, Supreme Court of New York, New York County (case filed 6/4/97). Eight individuals suing.

KNUTSEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 36860/96, Supreme Court of New York, Kings County (case filed 4/25/97). Two individuals suing.

KOTLYAR, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28103/97, Supreme Court of New York, Queens County (case filed 11/26/97). Five individuals suing.

KRISTICH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 96-29078, Supreme Court of New York, Suffolk County (case filed 10/12/97). Two individuals suing.

KROCHTENGEL V. THE AMERICAN TOBACCO CO., ET AL., Case No. 24663/98, Supreme Court of New York, Kings County (case filed 7/15/98). One individual suing.

LABROILA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-12855, Supreme Court of New York, Suffolk County (case filed 7/20/97). Four individuals suing.

LEHMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112446/97, Supreme Court of New York, New York County (case filed 8/11/97). One individual suing.

LEIBSTEIN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-019145, Supreme Court of New York, Nassau County (case filed 7/25/97). Six individuals suing.

LEIDERMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 22691/97, Supreme Court of New York, Kings County (case filed 7/23/97). Three individuals suing.

LENNON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 120503/97, Supreme Court of New York, New York County (case filed 11/19/97). Seven individuals suing.

LE PAW V. B.A.T. INDUSTRIES, ET AL., Case No. 17695-96, USDC, Southern District of New York (case filed 8/14/96). Four individuals suing.

LEVINSON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 13162/97, Supreme Court of New York, Kings County (case filed 4/17/97). Seven individuals suing.

LIEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-9309, Supreme Court of New York, Suffolk County (case filed 4/28/97). Two individuals suing.

LITKE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15739/97, Supreme Court of New York, Kings County (case filed 5/1/97). Five individuals suing.

LOHN V. LIGGETT GROUP INC., ET AL., Case No. 105249/98, Supreme Court of New York, New York County (case filed 3/26/98). One individual suing.

LOMBARDO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16765/97, Supreme Court of New York, Nassau County (case filed 6/6/97). Five individuals suing.

LONG, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 22574-97, Supreme Court of New York, Bronx County (case filed 10/22/97). Four individuals suing.

LOPARDO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 027182/97, Supreme Court of New York, Nassau County (case filed 10/27/97). Six individuals suing.

LUCCA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 3583/97, Supreme Court of New York, Kings County (case filed 1/27/97). Two individuals suing.

LYNCH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 117244/97, Supreme Court of New York, New York County (case filed 10/22/97). Five individuals suing.

MAISONET, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 17289/97, Supreme Court of New York, Kings County (case filed 5/20/97). Three individuals suing.

MARGOLIN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 120762/96, Supreme Court of New York, New York County (case filed 11/22/96). One individual suing.

MARTIN, ET AL. V. THE AMERICAN T1OBACCO CO., ET AL., Case No. 15982-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

MCGUINNESS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112447/97, Supreme Court of New York, New York County (case filed 7/28/97). Six individuals suing.

MCLANE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11620/97, Supreme Court of New York, Richmond County (case filed 5/13/97). Four individuals suing.

MEDNICK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 29140/1997, Supreme Court of New York, Kings County (case filed 9/19/97). Eight individuals suing.

MISHK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 108036/97, Supreme Court of New York, New York County (case filed May 1, 1997). Five individuals suing.

MOREY V. PHILIP MORRIS, ET AL., Case No. I1998/9921, Supreme Court of New York, Erie County (case filed 10/30/98). Two individuals suing.

NEWELL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-25155, Supreme Court of New York, New York County (case filed 10/3/97). Six individuals suing.

NOCIFORO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 96-16324, Supreme Court of New York, Suffolk County (case filed 7/12/96). One individual suing.

O'HARA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 103095/98, Supreme Court of New York, New York County (case filed 2/23/98). Two individuals suing.

ORNSTEIN V. PHILIP MORRIS, ET AL., Case No. 117548/97, Supreme Court of New York, New York County (case filed 9/29/97). One individual suing.

PEREZ, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 26347/97, Supreme Court of New York, Kings County (case filed 8/26/97). Seven individuals suing.

PERRI, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 029554/97, Supreme Court of New York, Nassau County (case filed 11/24/97). Six individuals suing.

PICCIONE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 34371/97, Supreme Court of New York, Kings County (case filed 10/27/97). Five individuals suing.

PORTNOY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16323/96, Supreme Court of New York, Suffolk County (case filed 7/16/96). Two individuals suing.

REITANO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28930/96, Supreme Court of New York, Kings County (case filed 8/22/96). One individual suing.

RICO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 120693/98, Supreme Court of New York, New York County (case filed 11/16/98). Nine individuals suing.

RINALDI, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 48021/96, Supreme Court of New York, Kings County (case filed 12/11/96). Five individuals suing.

ROSE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 122131/96, Supreme Court of New York, New York County (case filed 12/18/96). Eight individuals suing.

RUBINOBITZ, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15717/97, Supreme Court of New York, Nassau County (case filed 5/28/97). Five individuals suing.

SCHULHOFF, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 23737-97, Supreme Court of New York, Queens County (case filed 11/21/97). Six individuals suing.

SENZER, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11609/97, Supreme Court of New York, Queens County (case filed 5/13/97). Eight individuals suing.

SHAPIRO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 111179/97, Supreme Court of New York, New York County (case filed 7/21/96). Four individuals suing.

SIEGEL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.36857/96, Supreme Court of New York, Kings County (case filed 10/8/96). Two individuals suing.

SILVERMAN, ET AL. V. LORILLARD TOBACCO COMPANY. ET AL., Case No. 11328/99, Supreme Court of New York, Kings County (case filed 7/9/99) Five individuals suing.

SMITH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 020525/97, Supreme Court of New York, Queens County (case filed 9/19/97). Eight individuals suing.

SOLA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 18205/96, Supreme Court of New York, Bronx County (case filed 7/16/96). Two individuals suing.

SPRUNG, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16654/97, Supreme Court of New York, Kings County (case filed 5/14/97). Ten individuals suing.

STANDISH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 18418-97, Supreme Court of New York, Bronx County (case filed 7/28/97). Five individuals suing.

VALENTIN, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 019539/97, Supreme Court of New York, Queens County (case filed 9/16/97). Seven individuals suing.

WALGREEN, ET AL. V. THE AMERICAN TOBACCO, ET AL., Case No. 109351/97, Supreme Court of New York, New York County (case filed 5/23/97). Eight individuals suing.

WERNER, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 029071-97, Supreme Court of New York, Queens County (case filed 12/12/97). Four individuals suing.

ZARUDSKY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15773-97, Supreme Court of New York, New York County (case filed 5/28/97). Six individuals suing.

ZIMMERMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Supreme Court of New York, Queens County (case filed 1997).

ZUZALSKI, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 001378/97, Supreme Court of New York, Queens County (case filed 4/3/97). Seven individuals suing.

WILSON, ET AL. V. LIGGETT & MYERS, ET AL., USDC, Middle District Court, North Carolina. One individual suing.

COTNER V. PHILIP MORRIS, INC., ET AL., Case No. CS-2000-157, District Court, Adair County, Oklahoma. One individual suing.

TOMPKIN, ET AL. V. AMERICAN BRANDS, ET AL., Case No. 5:94 CV 1302, USDC, Northern District of Ohio (case filed 7/25/94). One individual suing. Notice of Appeal.

BUSCEMI V. BROWN & WILLIAMSON, ET AL., Case No. 002007, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 9/21/99). Two individuals suing.

BROWN V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 98-5447, Superior Court, Rhode Island (case filed 10/30/98). One individual suing.

NICOLO V. PHILIP MORRIS, ET AL., Case No. 96-528 B, USDC, Rhode Island (case filed 9/24/96). One individual suing.

TEMPLE V. PHILIP MORRIS TOBACCO CORP., ET AL. Case No. 3:00-0126, USDC, Middle District, Tennessee. One individual suing.

ADAMS V. BROWN & WILLIAMSON, ET AL., Case No. 96-17502, District Court of the 164th Judicial District, Texas, Harris County (case filed 4/30/96). One individual suing.

BLACK, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 301-CV1624-M, USDC, Texas, Northern District (case filed 8/17/01). Three individuals suing.

COLUNGA V. AMERICAN BRANDS, INC., ET AL., Case No. C-97-265, USDC, Texas, Southern District (case filed 4/17/97). One individual suing.

HALE, ET AL. V. AMERICAN BRANDS, INC., ET AL., Case No. C-6568-96B, District Court of the 93rd Judicial District, Texas, Hidalgo County (case filed 1/30/97). One individual suing.

HAMILTON, ET AL. V. BGLS, INC., ET AL., Case No. C 70609 6 D, USDC, Texas, Southern District (case filed 2/26/97). Five individuals suing.

HODGES, ET VIR V. LIGGETT GROUP, INC., ET AL., Case No. 8000*JG99, District Court of the 239th Judicial District, Texas, Brazoria County (case filed 5/5/99). Two individuals suing.

JACKSON, HAZEL, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. G-01-071, USDC, Texas, Southern District (case filed 2/7/2001). Five individuals suing.

LUNA V. AMERICAN BRANDS, ET AL., Case No. 96-5654-H, USDC, Texas, Southern District (case filed 2/18/97). One individual suing.

MCLEAN, ET AL. V. PHILIP MORRIS, ET AL., Case No. 2-96-CV-167, USDC, Texas, Eastern District (case filed 8/30/96). Three individuals suing.

MIRELES V. AMERICAN BRANDS, INC., ET AL., Case No. 966143A, District Court of the 28th Judicial District, Texas, Nueces County (case filed 2/14/97). One individual suing.

MISELL, ET AL. V. AMERICAN BRANDS, ET AL., Case No. 96-6287-H, District Court of the 347th Judicial District, Texas, Nueces County (case filed 1/3/97). Four individuals suing.

RAMIREZ V. AMERICAN BRANDS, INC., ET AL., Case No. M-97-050, USDC, Texas, Southern District (case filed 12/23/96). One individual suing.

K V. AMERICAN BRANDS, ET AL., Case No. 97-04-35562, USDC, Texas, Southern District (case filed 7/22/97). Two individuals suing.

THOMPSON, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-2981-D, District Court of the 105th Judicial District, Texas, Nueces County (case filed 12/15/97). Two individuals suing.

BOWDEN, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 98-0068-L, USDC, Virginia, Western District (case filed 1/6/99).

VAUGHAN V. MARK L. EARLEY, ET AL., Case No. 760 CH 99 K 00011-00, Circuit Court, Virginia, Richmond (case filed 1/8/99). One individual suing.

IN RE TOBACCO PI (5000), Case NO. 00-C-5000, Circuit Court, West Virginia, Ohio County. Consolidating approximately 1260 individual smoker actions which were pending prior to 2001.

BREWER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-C-82, Circuit Court, West Virginia, Ohio County. Two individuals suing.

LITTLE, W. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-C-235, Circuit Court, West Virginia, Ohio County (case filed 6/4/01). One individual suing.

FLOYD V. STATE OF WISCONSIN, ET AL., Case No. 99 CV 001125, Circuit Court, Wisconsin, Milwaukee County (case filed 2/10/99). One individual suing.

V. PRICE FIXING CASES

GRAY, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. C2000 0781, Superior Court, Pima County, Arizona (case filed 2/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Arizona.

GREER, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 309826, Superior Court, San Francisco, California (case filed 2/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

MORSE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 822825-9, Superior Court, Alameda County, California (case filed 2/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

MUNOZ, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 309834, Superior Court, San Francisco City and County, California (case filed 2/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

PEIRONA, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 310283, Superior Court, San Francisco City and County, California (case filed 2/28/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

TEITLER V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823161-9, Superior Court, County of Alameda, California (case filed 2/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

SULLIVAN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823162-8, Superior Court, County of Alameda, California (case filed 2/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

ULAN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823160-0, Superior Court, County of Alameda, California. In this class action plaintiffs

allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

SAND V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. BC225580, Superior Court, County of Los Angeles, California. In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

BELMONTE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 825112-1, Superior Court, County of Alameda, California (case filed 4/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

BELCH V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 825115-8, Superior Court, County of Alameda, California (case filed 4/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

AGUAYO V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826420-8, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

PHILLIPS V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826421-7, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

CAMPE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826425-3, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

AMSTERDAM TOBACCO CORP., ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.1: 00CV0460, USDC, District of Columbia (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States and elsewhere in the world.

BARNES, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-0003678, Superior Court, District of Columbia (case filed 5/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the District of Columbia.

BUFFALO TOBACCO PRODUCTS, INC., ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 1:00CV00224, USDC, District of Columbia (case filed

2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

HARTZ FOODS V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 1:00CV01053, USDC, District of Columbia (case filed 5/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

BROWNSTEIN V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00002212, Circuit Court, Broward County, Florida (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Florida.

WILLIAMSON OIL COMPANY, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0447, USDC, Georgia, Northern District (case filed 2/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SUWANEE SWIFTY STORES, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0667, USDC, Georgia, Northern District (case filed 3/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

HOLIDAY MARKETS, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0707, USDC, Georgia, Northern District (case filed 3/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SMITH, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-26, District Court, Kansas, Seward County (case filed 2/7/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Kansas

TAYLOR, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. CV-00-203, Superior Court, Maine (case filed 3/27/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Maine.

DEL SERRONE, ET AL. V. PHILIP MORRIS COMPANIES, INC., Case No. 00-004035 CZ, Circuit Court, Wayne County, Michigan (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Michigan.

LUDKE, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. MC 00-001954, District Court, Hennepin County, Minnesota (case filed 2/15/00). In

this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

ANDERSON. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-1212, United States District Court, Minnesota (case filed 5/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

UNRUH, ET AL. V. R. J. REYNOLDS TOBACCO CO., Case No. CV00-2674, District Court, Washoe County, Nevada (case filed 6/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Nevada.

ROMERO, ET AL. V. PHILIP MORRIS COMPANIES, INC. ET AL., Case No. D0117 CV-00000972, District Court, Rio Arriba County, New Mexico (case filed 4/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New Mexico.

SYLVESTER, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 00/601008 Supreme Court of New York, New York County, New York (case filed 3/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

NEIRMAN, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 00/102396, Supreme Court of New York, New York County, New York (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

SHAFER, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-C-1231, District Court, Morton County, North Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of North Dakota.

I. GOLDSHLACK COMPANY V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-1286, USDC, Eastern District of Pennsylvania (case filed 3/9/00). In this class action plaintiff allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SWANSON, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-144, Circuit Court, Hughes County, South Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of South Dakota.

SAYLOR, ET AL. V. PHILIP MORRIS COMPANIES, ET AL., Case No. 7607, Chancery Court, Tennessee, Washington County (case filed 8/15/2001). In this

class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Tennessee.

CUSATIS V, PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00CV003676, Circuit Court, Milwaukee County, Wisconsin (case filed 5/5/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Wisconsin.