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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A NO. 1

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended MARCH 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 1-5759

BROOKE GROUP LTD.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0255124
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 S.E. 2ND STREET, MIAMI, FLORIDA	33131
(Address of principal executive offices)	(Zip Code)

(305) 579-8000
(Registrant's telephone number, including area code)

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 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.

YES X NO

As of May 12, 1995, there were outstanding 18,247,096 shares of common stock, par value $0.10 per share.

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Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	March 31, 1995	December 31, 1994
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 35,877	$ 4,276
Accounts receivable - trade	17,304	31,325
Other receivables	10,867	1,558
Inventories	51,779	47,098
Other current assets	2,787	3,247
Total current assets	118,614	87,504
Property, plant and equipment, at cost, less accumulated depreciation of $25,368 and $24,460	25,128	25,806
Intangible assets, at cost, less accumulated amortization of $14,367 and $13,936	6,306	6,728
Investment in affiliate	73,292	97,520
Other assets	11,158	11,867
Total assets	$ 234,498	$ 229,425

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

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, CONTINUED
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	March 31, 1995	December 31, 1994
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT):		
Current liabilities:		
Notes payable and current portion of long-term debt	$ 39,299	$ 31,351
Accounts payable	14,299	12,415
Accrued promotional expenses	24,911	29,853
Unearned revenue		2,056
Net current liabilities of business held for disposition		4,974
Other accrued liabilities	64,545	63,702
Total current liabilities	143,054	144,351
Notes payable, long-term debt and other obligations, less current portion	402,607	405,798
Noncurrent employee benefits	31,429	31,119
Net long-term liabilities of business held for disposition		23,009
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred Stock, par value $1.00 per share, authorized 10,000,000 shares		
Common stock, par value $0.10 per share, authorized 40,000,000 shares, issued 24,998,043 shares, outstanding 18,247,096 and 18,260,844 shares, respectively	1,825	1,826
Additional paid-in capital	70,874	66,245
Deficit	(392,766)	(420,746)
Other	11,058	11,365
Less: 6,750,947 and 6,737,199 shares of common stock in treasury, at cost	(33,583)	(33,542)
Total stockholders' equity (deficit)	(342,592)	(374,852)
Total liabilities and stockholders' equity (deficit)	$ 234,498	$ 229,425

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

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended	
	March 31, 1995	March 31, 1994
Revenues*	$ 95,290	$ 114,105
Cost of goods sold*	46,378	57,296
Gross profit	48,912	56,809
Selling, general and administrative expenses	49,308	50,529
Operating income (loss)	(396)	6,280
Other income (expenses):		
Interest income	389	49
Interest expense	(14,715)	(13,339)
Equity in earnings of affiliate	1,683	
Other, net	115	237
(Loss) from continuing operations before income taxes	(12,924)	(6,773)
Provision (benefit) for income taxes	(14)	(53)
(Loss) from continuing operations	(12,910)	(6,720)
Discontinued operations:		
Income from discontinued operations, net of income taxes of $63 and $3,068 in 1995 and 1994, respectively	1,648	5,314
Gain on diposal	13,138	
Income from discontinued operations	14,786	5,314
Income (loss) before extraordinary item	1,876	(1,406)
Extraordinary (loss) from the early extinguishment of debt		(1,118)
Net income (loss)	1,876	(2,524)
Proportionate share of excess of carrying value of redeemable preferred shares over cost of shares purchased	3,069	
Net income (loss) applicable to common shares	$ 4,945	$ (2,524)
Per common share:		
(Loss) from continuing operations	$ (0.53)	$ (0.38)
Income from discontinued operations	$ 0.80	$ 0.30
Extraordinary item	$ --	$ (0.06)
Net income (loss)	$ 0.27	$ (0.14)
Weighted average common shares and common stock equivalents outstanding	18,501,830	17,426,809

* Revenues and Cost of goods sold include federal excise taxes of $26,392 and $31,815 for the periods ended March 31, 1995 and 1994, respectively.

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

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Common Stock		Additional Paid-In		Treasury		
	Shares	Amount	Capital	Deficit	Stock	Other	Total
Balance, December 31, 1994	18,260,844	$1,826	$66,245	$(420,746)	$(33,542)	$11,365	$(374,852)
Net income				1,876			1,876
Dividends on common stock of BGL ($0.075 per share)				(1,368)			(1,368)
Stock grant to directors	20,000	2	(2)		94		94
Stock grant to consultant			939			(703)	236
MAI spin-off				27,286			27,286
Net unrealized holding gain						396	396
Effect of New Valley capital transactions			3,689				3,689
Other, net				186			186
Treasury stock, at cost	(33,748)	(3)	3		(135)		(135)
Balance, March 31, 1995	18,247,096	$1,825	$70,874	$(392,766)	$(33,583)	$11,058	$(342,592)

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

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended	
	March 31, 1995	March 31, 1994
Net cash (used in) provided by operating activities	$ (5,263)	$ (4,785)
Cash flows from investing activities:		
Dividends from affiliate	30,916	
Redemption of SkyBox preferred stock	4,000	
Investment in New Valley	(365)	
Capital expenditures	(511)	(38)
Proceeds from sale of assets/equipment	34	
Impact of discontinued operations		(438)
Net cash provided by (used in) investing activities	34,074	(476)
Cash flows from financing activities:		
Proceeds from debt	2,343	18,840
Borrowings (repayments) under revolver	1,478	(143)
Repayments of debt	(389)	(7,534)
Increase (decrease) in overdraft	900	(11,972)
Dividends paid on Series G preferred stock		(3,018)
Dividends paid on BGL common stock	(1,368)	
Treasury stock purchases	(135)	(82)
Stockholder loan and interest repayments		16,780
Deferred financing charges		(5,043)
Impact of discontinued operations		(81)
Other, net	(39)	
Net cash provided by financing activities	2,790	7,747
Net increase in cash and cash equivalents	31,601	2,486
Cash and cash equivalents, beginning of period	4,276	11,497
Cash and cash equivalents, end of period	$ 35,877	$ 13,983

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

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

1. GENERAL

The consolidated financial statements included herein prepared by Brooke Group Ltd. (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 for the years ended December 31, 1994, 1993 and 1992, included in the Company's Form 10-K as filed with the Securities and Exchange Commission on April 17, 1995. 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.

Certain amounts in the 1994 consolidated financial statements have been reclassified to conform to the 1995 presentation.

2. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Liggett Group Inc. ("Liggett"), New Valley Holdings, Inc. and other less significant subsidiaries.

As the result of the spin off of the Company's equity interest in MAI Systems Corporation ("MAI") in February 1995 and the sale/redemption of the Company's common and preferred stock of SkyBox International, Inc., both entities are reported as discontinued operations. Revenues for MAI were $6,652 for the period January 1, 1995 to February 6, 1995 and $17,188 for the three months ended March 31, 1994.

3. INVESTMENT IN NEW VALLEY CORPORATION

The Company's investment in New Valley at March 31, 1995 is summarized as follows:

	Number of Shares	Carrying Value
Common shares	79,794,229	$ (49,065)
Class A Preferred Shares	618,326	122,103
Class B Preferred Shares	50,885	254
		$ 73,292

Summarized income statement information for New Valley Corporation for the three month period ended March 31, 1995 is as follows:

Revenues	$7,669
Income before discontinued operations	$6,631
Net income	$8,029

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)
(UNAUDITED)

In February 1995, New Valley Corporation repurchased 54,445 Class A Preferred shares pursuant to a tender offer made as part of the New Valley Corporation First Amended Joint Chapter 11 Plan of Reorganization. The Company has recorded its proportionate interest in the excess of the carrying value of the shares over the cost of the shares repurchased as a capital transaction in the amount of $3,069.

4. INVENTORIES

Inventories consist of:

	March 31, 1995	December 31, 1994
Finished goods	$21,611	$18,374
Work in process	2,872	2,952
Raw materials	21,782	20,609
Replacement parts and supplies	3,724	3,754
	49,989	45,689
LIFO adjustments	1,790	1,409
	$51,779	$47,098

At March 31, 1995, the Company had leaf tobacco purchase commitments of approximately $31,000 compared to $41,000 at December 31, 1994.

5. CONTINGENCIES

Since 1954, the Company and other United States cigarette manufacturers have been named as defendants in a number of direct and third-party 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 exposures to secondary smoke (environmental tobacco smoke, "ETS") from cigarettes. These cases are reported hereinafter as though having been commenced against Liggett (without regard to whether such actually were commenced against Brooke Group Ltd. in its former name or in its present name or against Liggett), since all involve the tobacco manufacturing and marketing activities currently performed by Liggett. The number of such cases pending against the Company and the other cigarette manufacturers has decreased generally since early 1987, after several years of increases, but new cases continue to be commenced against Liggett and other cigarette manufacturers with the number of cases now pending against Liggett being somewhat greater than in 1993. As new cases are commenced, the costs associated with defending such cases and the risks attendant on the inherent unpredictability of litigation continue. To date a number of such actions, including several against Liggett, have been disposed of favorably to the defendants; no plaintiff has ultimately prevailed on the merits of any such action; and no payment in settlement of any such claim has been made by the Company nor, to the Company's knowledge, any other cigarette manufacturer.

An action entitled Yvonne Rogers v. Liggett Group Inc., et al., Superior Court, Marion County, Indiana, was initiated by the plaintiff on March 27, 1987 against Liggett and three other cigarette manufacturers. The plaintiff seeks compensatory and punitive damages for cancer alleged to have

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)
(UNAUDITED)

been caused by cigarette smoking. Trial commenced on January 31, 1995. The trial ended on February 22, 1995 when the trial court declared a mistrial due to the jury's inability to reach a verdict. The Court directed a verdict in favor of the defendants as to the issue of punitive damages during the trial of this action. A second trial has been scheduled for August 1996.

In the action entitled Cipollone v. Liggett Group Inc., et al., the United States Supreme Court, on June 24, 1992, issued an opinion respecting federal preemption of state law damage actions. The Supreme Court in Cipollone concluded that The Federal Cigarette Labeling and Advertising Act (the "1965 Act") did not preempt any state common law damage claims. The decision permits plaintiffs to assert common law claims for damages for failure to warn adequately, fraudulent misrepresentation, concealment, conspiracy and breach of express warranty in the period from 1966 to 1969. Relying on an amendment to Section 5(b) of the 1965 Act by The Public Health Cigarette Smoking Act of 1969 (the "1969 Act"), however, the Supreme Court concluded that the 1969 Act preempted certain, but not all, common law damage claims. Accordingly, the decision bars plaintiffs from asserting claims that, after the effective date of the 1969 Act, the tobacco companies either failed to warn adequately of the claimed health risks of cigarette smoking or sought to neutralize those claimed risks in their advertising or promotion of cigarettes. It does permit, however, claims for fraudulent misrepresentation (other than a claim of fraudulently neutralizing the warning), concealment (other than in advertising and promotion of cigarettes), conspiracy and breach of express warranty after 1969.

The Court expressed no opinion on whether any of these claims are viable under state law, but assumed arguendo that they are viable. The application of the principles enunciated in the decision to the particular theories of recovery asserted in each case will await further proceedings.

In addition, bills have been introduced in Congress on occasion to eliminate the federal preemption defense. Enactment of any federal legislation with such an effect could result in a significant increase in claims, liabilities and litigation costs.

On May 11, 1993, in the case entitled Wilks v. The American Tobacco Company, No. 91-12,355, Circuit Court of Washington County, State of Mississippi (a case in which Liggett was not a defendant), the trial court granted plaintiffs' motion to impose absolute liability on defendants for the manufacture and sale of cigarettes and struck defendants' affirmative defenses of assumption of risk and comparative fault/contributory negligence. The trial court ruled that the only issue to be tried in the case were causation and damages. No other court has ever imposed absolute liability on a manufacturer of cigarettes. After trial, the jury returned a verdict for defendants, finding no liability. The Company is or has been a defendant in other cases in Mississippi and it cannot be stated that other courts will not apply the Wilks ruling as to absolute liability.

On May 12, 1992, an action entitled Cordova v. Liggett Group Inc., et al., Superior Court of the State of California, City of San Diego, was filed against Liggett, five other cigarette manufacturing companies, the Tobacco Institute, Inc., the Council for Tobacco Research and Hill & Knowlton. In her complaint, plaintiff, purportedly on behalf of the general public, alleges that defendants have been engaged in unlawful, unfair and fraudulent business practices by allegedly misrepresenting and concealing from the public scientific studies pertaining to smoking and health funded by, and misrepresenting the independence of, the Council for Tobacco Research and its predecessor. The Complaint seeks equitable relief against the defendants, including the imposition of a corrective advertising campaign, restitution of funds fraudulently obtained by defendants, disgorgement of revenues and profits acquired as a result of the alleged fraud, the imposition of a constructive trust

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)
(UNAUDITED)

and an asset freeze on alleged ill-gotten gains, an injunction precluding defendants from pursuing the alleged wrongful acts, and reasonable attorneys' fees and costs. The case is presently in discovery.

On March 15, 1994, in an action entitled Broin et al v. Philip Morris Companies, Inc., et al., Dade County Circuit Court, State of Florida, the District court of Appeals for the Third District reversed the Dade County Circuit Court's dismissal of plaintiffs' class action allegations and a motion to invoke the discretionary jurisdiction of the Florida Supreme Court is pending. This case was the first class action commenced against the industry, and has been brought by plaintiffs on behalf of all flight attendants that have worked or are presently working for airlines based in the United States and who have never regularly smoked cigarettes but allege that have been damaged by an involuntary exposure to ETS. On December 12, 1994, plaintiffs' motion to certify the action as a class action was granted. Defendants have appealed this ruling.

On March 25, 1994, an action entitled Castano, et al v. The American Tobacco Company, et al., United States District Court, Eastern District of Louisiana, was filed against Liggett and four other cigarette companies (and since has been amended to add an additional cigarette company as a defendant). The class action complaint was brought on behalf of plaintiffs and residents of the United States who claim to be addicted to tobacco products of defendants, including Liggett, and survivors who claim their decedents were addicted to such tobacco products. The complaint is based upon the claim that defendants manipulated the nicotine levels in their tobacco products with the intent to addict plaintiffs and the class members and, inter alia, fraud, deceit, negligent misrepresentation, breach of express and implied warranty, strict liability and violation of consumer protection statutes. Plaintiffs seek compensatory and punitive damages, equitable relief including disgorgement of profits from the sale of cigarettes and creation of a fund to monitor the health of class members and to pay for medical expenses allegedly caused by defendants, attorneys' fees and costs. On December 14, 1994, plaintiffs' motion to certify the action as a class action was orally argued before the Court. On February 17, 1995, the Court issued an Order that granted in part Plaintiffs' motion for class certification for the specific claims of fraud, breach of express warranty, breach of implied warranty, intentional tort, negligence, strict liability and consumer protection, together with punitive damages to the end of establishing a multiplier to compute punitive damage awards. The court denied class certification as to issues of injury and fact, proximate cause, reliance and affirmative defenses. The Court defined Plaintiffs' class as being comprised of all nicotine-dependent persons (and their representatives) in the U.S. and its territories and possessions and Puerto Rico who have purchased and smoked cigarettes manufactured by the Defendants. The trial court Order defines "nicotine-dependent" as (a) all cigarette smokers who have been diagnosed by a medical practitioner as nicotine-dependent; and/or (b) all regular cigarette smokers who were or have been advised by a medical practitioner that smoking has had or will have adverse health consequences who thereafter do not or have not quit smoking. Defendants have made application to the trial court that it certify the class certification Order for interlocutory appeal, but if such is not granted, Defendants will seek appellate review by mandamus. Hearing has been scheduled by the trial court for May 10, 1995, on Defendants' interlocutory appeal application.

On May 5, 1994, an action entitled Engle, et al v. R. J. Reynolds Tobacco Company, et al., Circuit Court of the 11th Judicial District in and for Dade County, Florida, was filed against Liggett, five other cigarette companies, The Council for Tobacco Research - USA, Inc., the Tobacco Institute, Inc. and others. The class action complaint was brought on behalf of plaintiffs and all persons in the United States who allegedly have become addicted to cigarette products of defendants, including those of Liggett, and allegedly have suffered personal injury as a result thereof, with such claims predicated on theories of strict liability in tort, fraud and misrepresentation, conspiracy to misrepresent and

commit fraud, breach of implied warranty of merchantability and fitness, breach of express warranty, intentional infliction of emotional distress and negligence. Plaintiffs seek compensatory and punitive damages, equitable relief including but not limited to a medical fund for future health care costs, attorneys' fees and costs. On October 31, 1994, plaintiffs' motion to certify the action as a class action was granted. Defendants have appealed this ruling.

On May 23, 1994, an action entitled Mike Moore, Attorney General, ex rel State of Mississippi vs. The American Tobacco Company, et al., Chancery Court for the County of Jackson, State of Mississippi, was filed against Liggett and five other cigarette companies, the Tobacco Institute, Inc., the Council for Tobacco Research - USA, Hill & Knowlton and others. In this action, the State of Mississippi seeks restitution and indemnity for medical payments and expenses made or incurred by the State of Mississippi on behalf of welfare patients for tobacco related illnesses. Similar actions (although not identical) have been filed recently by the State of Minnesota (together with Minnesota Blue Cross-Blue Shield) and by the State of West Virginia.

The State of Florida enacted legislation effective July 1, 1994 allowing certain state authorities or entities to commence a lawsuit to seek recovery of Medicaid payments made on behalf of Medicaid recipients as a result of diseases allegedly caused by liable third parties. Though not limited to the tobacco industry, the statutory scheme includes the industry with ultimate liability based upon market share and would include disease allegedly caused by the smoking of cigarettes. The statute abrogates comparative negligence, assumption of risk and other defenses normally available to liable third parties and, by its stated language, permits the use of statistical evidence to prove causation. A suit has been commenced to challenge the constitutionality of the legislation. On February 22, 1995, suit was commenced by the State of Florida, together with others, against the five domestic cigarette manufacturers and their respective parent companies, as well as others, seeking restitution of monies expended in the past and which may be expended in the future by the State of Florida to provide health care to Medicaid recipients for injuries and ailments allegedly caused by the use of cigarettes and other tobacco products. Plaintiffs also seek a variety of other forms of relief including a disgorgement of all profits from the sales of cigarettes in Florida. On May 6, 1995, the Florida legislature voted in favor of a bill to repeal this legislation. The repeal of this legislation, if the repealer bill becomes law, would be effective as of the date and time the original legislation became law. The repealer bill will become law if the Governor, after receipt of the repealer bill, signs such into law within fifteen days after receipt or fails to act within such fifteen day period. The Governor of Florida has announced that he will veto this repealer bill. It is uncertain at this time whether or not and at what time the Florida legislature could or would take action to override such a veto if the Governor vetoes the repealer bill.

The Commonwealth of Massachusetts has enacted legislation authorizing lawsuits similar to the suits filed by the State of Mississippi, the State of Minnesota and the State of West Virginia. Aside from the Florida and Massachusetts statutes, legislation authorizing the state to sue a company or individual to recover costs incurred by the state to provide health care to persons injured by the company or individual also has been introduced in several other states (California, Connecticut, Kansas, Maine, Massachusetts, New Jersey, New York, Oregon and Vermont). These bills contain some or all of the following provisions: eliminating all affirmative defenses, permitting the use of statistical evidence to prove causation and damages, adopting market share liability and allowing class action suits without notification to class members.

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)
(UNAUDITED)

Currently in addition to Cordova, approximately 32 product liability lawsuits are pending and active in which Liggett is a defendant. In most of these lawsuits, plaintiffs seek punitive as well as compensatory damages. The states in which suits are presently pending and active against Liggett are California, Florida, Indiana, Louisiana, Minnesota, Mississippi, Nevada, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas and West Virginia.

A Grand Jury investigation presently is being conducted by the office of the United States Attorney for the Eastern District of New York regarding possible violations of criminal law relating to the activities of The Council for Tobacco Research - USA, Inc. The Company was a sponsor of The Council for Tobacco Research - USA, Inc. at one time. The Company is unable, at this time, to predict the outcome of the investigation.

Liggett has been responding to a Civil Investigative Demand from the Antitrust Division of the United States Department of Justice, which requests information from Liggett. The request appears to focus on United States tobacco industry activities in connection with product development efforts respecting, in particular, "fire-safe" or self-extinguishing cigarettes. It also requests certain general information addressing Liggett's involvement with and relationship to its competitors. Liggett is unable to predict the outcome of this investigation.

In March and April 1994, the Health and the Environmental Subcommittee of the Energy and Commerce Committee of the House of Representatives held hearings regarding nicotine in cigarettes. On March 25, 1994, Commissioner David A. Kessler of the Food and Drug Administration (the "FDA") gave testimony as to the potential regulation of nicotine under the Food, Drug and Cosmetic Act, and the potential for jurisdiction over the regulation of cigarettes to be accorded to the FDA. In response to Commissioner Kessler's allegations about manipulation of nicotine by cigarette manufacturers, including Liggett, the chief executive of each of the major cigarette manufacturers, including Liggett, testified before the subcommittee on April 14, 1994, denying Commissioner Kessler's claims.

The Omnibus Budget Reconciliation Act of 1993 (the "Act") requires United States cigarette manufacturers to use at least 75% domestic tobacco in the aggregate of the cigarettes manufactured in the United States, effective January 1, 1994, on an annualized basis or pay a "marketing assessment" based upon price differentials between foreign and domestic tobacco and under certain circumstances make purchases of domestic tobacco from a corporation organized by the United States government. Liggett uses both domestic and foreign tobacco in its cigarettes. As part of an inventory management program, Liggett has entered into tobacco purchase agreements under which Liggett's commitments amounted to approximately $31 million at March 31, 1995, of which approximately 90% is foreign tobacco. The foreign tobacco used in manufacturing Liggett's cigarettes costs approximately 10- 15% less than its comparable domestic tobacco. In response to this situation, Liggett implemented certain changes in its product composition and modified its existing agreements with tobacco vendors to minimize the effect of the Act on Liggett's financial position. However, no assurance can be given that Liggett's efforts have been successful.

A General Agreement on Tariffs and Trade ("GATT") tribunal ruled that the Act violates GATT. Legislation has been enacted which will repeal retroactively the Act as of the end of 1994 upon the declaration of tariffs on imported tobacco in excess of certain quotas to be set forth in a Presidential proclamation. The Act will be in effect until such time as a proclamation is issued. Liggett believes that such a proclamation will be issued during 1995. Liggett is exploring avenues which might be

Item 1. Consolidated Financial Statements - (Continued)

BROOKE GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) - (CONTINUED)
(UNAUDITED)

available to it to realize relief from any marketing assessment or purchase requirement sanctions that may be imposed under the Act. While Liggett is of the opinion that there would be a realistic potential to achieve such relief if sanctions were imposed, no assurance can be given that Liggett would be successful in doing so, either in whole or in part. No amounts have been accrued.

Further, the tariff structure, when established, may have the effect of limiting Liggett's access to imported tobacco, possible driving Liggett's costs of goods higher. Due to existing inventories of foreign tobacco, management believes the tariff structure would have no short-term effects on Liggett, but is unable to state at this time what long-term effects, if any, the tariff structure would have on Liggett.

As to each of the cases referred to above which is pending against Liggett, Liggett believes, and has been so advised by counsel handling the respective cases, that Liggett has a number of valid defenses to the claim or claims asserted against Liggett. All cases are, and will continue to be, vigorously defended. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. Recently, there have been a number of restrictive regulatory, adverse political and other developments concerning cigarette smoking and the tobacco industry, including the commencement of the purported class actions referred to above. These developments generally receive widespread media attention. Liggett is not able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation.

Liggett 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 Liggett. It is possible that Liggett's financial position, results of operations or cash flows could be materially affected by an ultimate unfavorable outcome of certain pending litigation.

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

On September 20, 1993, a group of Contingent Value Rights ("CVR") holders and the CVR trustee filed an action in the Delaware Chancery court, New Castle County, against the Company and certain of its present and former directors, challenging and seeking to enjoin or rescind the Distribution. Pursuant to notice given on October 15, 1993, the Company redeemed its CVRs on December 9, 1993 for a payment of $.36 per CVR. On June 2, 1994, the Company entered into a Stipulation and Agreement of Compromise and Settlement (the "Stipulation") pursuant to which a class of CVR holders, which includes all persons who held CVRs at any time between September 20, 1993 and June 2, 1994, were to receive a total of $4,000 plus an award of attorneys' and experts' fees and expenses not to exceed $900. The $4,000 settlement fund has been deposited into an escrow account for eventual disbursement to all eligible CVR holders.

By order dated June 10, 1994, the Court of Chancery scheduled a settlement hearing to be held on August 16, 1994 to determine, inter alia, whether the Stipulation is fair, reasonable and adequate. That settlement hearing was adjourned at the named plaintiff CVR holders' request because of issues arising from filing of a motion for leave to amend the Company's complaint in a separate lawsuit pending against the CVR trustee. The named plaintiff CVR holders subsequently asked the

court to rescind the Stipulation, stating, in substance, that they had mistakenly entered into it in the erroneous belief that the Company would be unable to assert claims against the trustee which those CVR holders might have to indemnify. On December 28, 1994, the court rescinded the Stipulation, finding that such a mistake had been made; however, the named plaintiff CVR holders and the defendants continued settlement discussions, seeking to address the named plaintiff CVR holders' concerns over their obligation to indemnify the trustee. On March 3, 1995, these parties advised the court that they had reached an agreement in principle to settle the case on a class basis, subject to the final resolution of certain remaining issues.

At March 31, 1995, there were several other proceedings, lawsuits and claims pending against the Company and its subsidiaries. The Company is of the opinion that the liabilities, if any, ultimately resulting from the CVR action and other proceedings, lawsuits and claims should not materially affect its consolidated financial position, results of operations or cash flows.

6. SERIES 1 NOTES

On April 3, 1995 a Notice of Redemption was sent to holders of the Series 1 Notes (the "Holders") in which the Company announced its intention to redeem the Series 1 Notes on May 3, 1995. Accordingly, on April 3, 1995 the Company deposited with the trustee an amount sufficient to redeem all of the Series 1 Notes including interest thereon accruing from April 1, 1995 to May 3, 1995. On May 2, 1995, the Company and the Holders agreed to extend the redemption date to no earlier than May 9, 1995. After that date, the redemption may be effected by either the Company or the Holders with a two-day notice to the trustee.

7. REORGANIZATION

Liggett reduced its field sales force on January 10, 1994 by 150 permanent positions and added approximately 300 part-time positions. This reorganization has significantly reduced operating costs and enabled Liggett to expand its retail base coverage.

In March 1995, Liggett continued its efforts towards reducing costs by, among other things, offering voluntary retirement programs to eligible employees. Thus far, Liggett's 1995 cost reduction programs have reduced Liggett's headcount by approximately 63 positions. In connection therewith, Liggett recorded a $487 non-recurring charge to operating income. Liggett anticipates further cost reduction programs during 1995.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to information entitled "Contingencies" in Note 4 to the Company's Consolidated Financial Statements included elsewhere in this report on Form 10-Q.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4(a) Fifth Supplemental Indenture, dated as of January 18, 1995, to the Indenture, dated as of April 1, 1988, among Brooke Partners, L.P., Brooke Capital Corp., L Holdings Inc. and Shawmut Bank, N.A.*

4(b) Fifth Supplemental Indenture, dated as of January 18, 1995, to the Indenture, dated as of April 1, 1988, among Brooke Partners, L.P., Brooke Capital Corp., L Holdings Inc. and First Trust National Association.*

4(c) Letter agreements between BGLS Inc. and United States Trust Company of New York, Tortoise Corp., The Bank of New York and Daffodil & Co., each dated May 2, 1995.

10(a) Stock Option Agreement, dated January 25, 1995, by and between Brooke Group Ltd. and Howard M. Lorber.*

27 Financial Data Schedule (for SEC use only)

(b) Reports on Form 8-K

The Company filed the following current reports on Form 8-K during the first quarter of 1995:

	DATE	ITEM(S)	FINANCIAL STATEMENTS
1.	January 13, 1995	2, 5	Inapplicable
2.	January 25, 1995	5	Unaudited ProForma financial statements for the nine months ended September 30, 1994 and for the year ended December 31, 1993.

*Incorporated by reference to the Issuer's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

SIGNATURE

Pursuant to the requirements 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.

BROOKE GROUP LTD.
(Registrant)

Date: May 17, 1995

By: /s/ Gerald E. Sauter
Gerald E. Sauter
Vice President and Chief Financial Officer

EXHIBIT 4(c)

May 2, 1995

BGLS Inc.
100 S.E. Second Street
Miami, FL 33131

Ladies and Gentlemen:

The undersigned is the holder of $10,243,000 principal amount of your 13.75% Series 1 Senior Secured Notes due 1995 (the "Notes") (the "Beneficial Owner"). On April 3, 1995, you gave notice of redemption of the Notes (the "Redemption Notice") on May 3, 1995 pursuant to the Indenture dated as of September 30, 1994 between you and Shawmut Bank, N.A., trustee (the "Indenture", terms defined therein having the same meanings when used herein). You hereby represent that you deposited with the Trustee an amount (the "Deposit Amount") sufficient to effect the redemption of all the Securities on that date (which Deposit Amount shall remain on deposit until the Notes are redeemed). You represent that letter agreements substantially identical to this letter agreement ("Other Letter Agreements") are being entered into between you and all holders of Securities and that true and correct copies of the Other Letter Agreements are attached hereto.

We hereby waive our right to have the Notes redeemed on May 3, 1995 pursuant to the Redemption Notice and thereafter until a date (not earlier than May 9, 1995), designated by written notice (a "Notice") (delivered by hand or by telecopy) of two Business Days from us to you or from you to us, in either case with a contemporaneous copy to the Trustee, such notice to be in place of any notice required under Section 3.03 of the Indenture. If you receive such a notice from any Person other than the undersigned, you agree to promptly deliver a copy of such notice to the undersigned, with a copy to the Beneficial Owner and its counsel for such purpose (if known to you). The Notes subject to this letter agreement and the Other Letter

2

Agreements shall become due and payable and shall be redeemed at 100% of the principal amount thereof plus (notwithstanding anything to the contrary in the Redemption Notice or the Indenture) interest accrued until redemption, upon the earliest to occur of (i) two Business Days after the sending of such Notice under this letter agreement or any Other Letter Agreement, (ii) the Maturity Date, (iii) any date on which the maturity of the Securities is accelerated and (iv) any amendment or modification of any Other Letter Agreement. Without limiting our rights to receive such price, we acknowledge that the portion of the Deposit Amount applied towards redemption of the Notes (the "Proportionate Deposit Amount") will be limited to an amount proportional to the amount of Securities held by us. Unless actually utilized to retire the Notes beneficially owned by the undersigned, the Trustee shall retain the Proportionate Deposit Amount exclusively for such purpose. We shall have no liability to you, and no holder of Securities that enters into an Other Letter Agreement shall have any liability to us, based on the delivery of any such notice or the consequences thereof. The foregoing exculpation shall also inure to the benefit of any Beneficial Owners and any direct or indirect pledgee of the Notes. For purposes of the second paragraph of Section 3.05 of the Indenture, the definition of "Redemption Date" set forth in Section 1.01 shall be deemed amended to read as follows:

> "'Redemption Date,' when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the letter agreements dated May 2, 1995 among the Company, the Trustee and the Holders amending this Indenture."

We also waive, as holders of Securities and Series 2 Notes, any default that may have arisen under the Indenture or the Series 2 Note Indenture solely as a result of the application of Payments from NV Holdings not in excess of $5,552,048 to pay interest on April 1, 1995 on the Series 2 Notes; provided, however, that the foregoing waiver is based upon your representation and warranty, which you hereby make, that Exhibit A hereto accurately describes the amount, source and flow of such Payments and shall in any event expire on the day following the day fixed for redemption pursuant to clauses (i) - (iv) of the preceding paragraph. Except as specifically provided in the immediately preceding sentence, nothing in this letter agreement shall limit our rights with respect to any Default or Event of Default. You represent that as of the date hereof there is no other Default or Event of Default continuing.

Between the date hereof and the date of imposition of the legend referred to in the next sentence, we agree not to transfer any of the Notes unless the transferee agrees in writing

3

to be bound by the terms of this letter agreement. We agree to surrender the Notes to the Trustee promptly after the date hereof so that they can be legended to reflect the contents of this letter agreement, provided that the arrangements for such legending are reasonably satisfactory to us and to the Beneficial Owner.

Please indicate that the foregoing represents our agreement by signing and returning the enclosed copy of this letter. This letter agreement shall represent a supplement to the Indenture. Except as supplemented hereby, the Indenture remains and shall remain in full force and effect. The Trustee shall have no liability to any Person with respect to its action or inaction pursuant to this letter agreement taken absent negligence or bad faith.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter agreement shall not be effective until each of the following conditions has occurred: (i) this letter agreement shall have been duly executed and delivered by you and the Trustee, (ii) each Other Letter Agreement shall have been duly executed and delivered by all the parties thereto and (iii) the undersigned shall have received the executed legal opinion of Milbank, Tweed, Hadley & McCloy, substantially in the form of Exhibit B hereto.

Very truly yours,

TORTOISE CORP.

By_____
Name: Robert Mitchell
Title: Vice President
and Assistant
Secretary

4

Accepted and agreed:

BGLS INC.

By_____
  Name:
  Title:

Acknowledged and agreed:

SHAWMUT BANK, N.A., Trustee

By_____
  Name:
  Title:

5

EXHIBIT A

Dividends received from New Valley Holdings	$31,040,941
Deposit Amount	23,874,179
Interest on Securities	1,614,714
Applied to interest on Series 2 Notes	$ 5,552,048

May 2, 1995

AIF II, L.P.
Artemis America LLC
Mainstay High Yield Corporate
Bond Fund
Tortoise & Co.

Ladies and Gentlemen:

We have acted as special New York counsel to BGLS Inc. in connection with letter agreements dated as of the date hereof among each of you (or your nominee), the Company and Shawmut Bank, N.A., trustee under an Indenture (the "Indenture") dated as of September 30, 1994 relating to 13.75% Series 1 Senior Secured Notes due 1995 (the "Letter Agreements"). Terms defined in the Indenture are used herein as defined therein.

In rendering the opinion expressed below, we have examined the following agreements, instruments and other documents:

(a) the Indenture;

(b) the Pledge Agreement;

(c) the Letter Agreements; and

(d) such other documents as we have deemed necessary as a basis for the opinion expressed below.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that to the extent the Pledge Agreement created a security interest in the Collateral securing the Securities, that security interest was not affected by the call of the Securities

7

for redemption on May 3, 1995, the deposit of the Redemption Price with the Trustee or the postponement of the redemption pursuant to the Letter Agreements.

The foregoing opinion is limited to matters involving the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

This opinion letter is provided to you by us in our capacity as special New York counsel to the Company and may not be relied upon by any person or for any purpose other than in connection with the transactions contemplated by the Letter Agreements without, in each instance, our prior written consent.

Very truly yours,

MLW:MMI

May 2, 1995

BGLS Inc.
100 S.E. Second Street
Miami, FL 33131

Ladies and Gentlemen:

The undersigned is the holder of $5,644,000 principal amount of your 13.75% Series 1 Senior Secured Notes due 1995 (the "Notes") as nominee for Artemis America LLC as beneficial owner (the "Beneficial Owner"). On April 3, 1995, you gave notice of redemption of the Notes (the "Redemption Notice") on May 3, 1995 pursuant to the Indenture dated as of September 30, 1994 between you and Shawmut Bank, N.A., trustee (the "Indenture", terms defined therein having the same meanings when used herein). You hereby represent that you deposited with the Trustee an amount (the "Deposit Amount") sufficient to effect the redemption of all the Securities on that date (which Deposit Amount shall remain on deposit until the Notes are redeemed). You represent that letter agreements substantially identical to this letter agreement ("Other Letter Agreements") are being entered into between you and all holders of Securities and that true and correct copies of the Other Letter Agreements are attached hereto.

We hereby waive our right to have the Notes redeemed on May 3, 1995 pursuant to the Redemption Notice and thereafter until a date (not earlier than May 9, 1995), designated by written notice (a "Notice") (delivered by hand or by telecopy) of two Business Days from us to you or from you to us, in either case with a contemporaneous copy to the Trustee, such notice to be in place of any notice required under Section 3.03 of the Indenture. If you receive such a notice from any Person other than the undersigned, you agree to promptly deliver a copy of such notice to the undersigned, with a copy to the Beneficial Owner and its counsel for such purpose (if known to you). The Notes subject to this letter agreement and the Other Letter Agreements shall become due and payable and shall be redeemed at

100% of the principal amount thereof plus (notwithstanding anything to the contrary in the Redemption Notice or the Indenture) interest accrued until redemption, upon the earliest to occur of (i) two Business Days after the sending of such Notice under this letter agreement or any Other Letter Agreement, (ii) the Maturity Date, (iii) any date on which the maturity of the Securities is accelerated and (iv) any amendment or modification of any Other Letter Agreement. Without limiting our rights to receive such price, we acknowledge that the portion of the Deposit Amount applied towards redemption of the Notes (the "Proportionate Deposit Amount") will be limited to an amount proportional to the amount of Securities held by us. Unless actually utilized to retire the Notes beneficially owned by the undersigned, the Trustee shall retain the Proportionate Deposit Amount exclusively for such purpose. We shall have no liability to you, and no holder of Securities that enters into an Other Letter Agreement shall have any liability to us, based on the delivery of any such notice or the consequences thereof. The foregoing exculpation shall also inure to the benefit of any Beneficial Owners and any direct or indirect pledgee of the Notes. For purposes of the second paragraph of Section 3.05 of the Indenture, the definition of "Redemption Date" set forth in Section 1.01 shall be deemed amended to read as follows:

> "'Redemption Date,' when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the letter agreements dated May 2, 1995 among the Company, the Trustee and the Holders amending this Indenture."

We also waive, as holders of Securities and Series 2 Notes, any default that may have arisen under the Indenture or the Series 2 Note Indenture solely as a result of the application of Payments from NV Holdings not in excess of $5,552,048 to pay interest on April 1, 1995 on the Series 2 Notes; provided, however, that the foregoing waiver is based upon your representation and warranty, which you hereby make, that Exhibit A hereto accurately describes the amount, source and flow of such Payments and shall in any event expire on the day following the day fixed for redemption pursuant to clauses (i) - (iv) of the preceding paragraph. Except as specifically provided in the immediately preceding sentence, nothing in this letter agreement shall limit our rights with respect to any Default or Event of Default. You represent that as of the date hereof there is no other Default or Event of Default continuing.

Between the date hereof and the date of imposition of the legend referred to in the next sentence, we agree not to transfer any of the Notes unless the transferee agrees in writing to be bound by the terms of this letter agreement. We agree to

surrender the Notes to the Trustee promptly after the date hereof so that they can be legended to reflect the contents of this letter agreement, provided that the arrangements for such legending are reasonably satisfactory to us and to the Beneficial Owner.

Please indicate that the foregoing represents our agreement by signing and returning the enclosed copy of this letter. This letter agreement shall represent a supplement to the Indenture. Except as supplemented hereby, the Indenture remains and shall remain in full force and effect. The Trustee shall have no liability to any Person with respect to its action or inaction pursuant to this letter agreement taken absent negligence or bad faith.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter agreement shall not be effective until each of the following conditions has occurred: (i) this letter agreement shall have been duly executed and delivered by you and the Trustee, (ii) each Other Letter Agreement shall have been duly executed and delivered by all the parties thereto and (iii) the undersigned shall have received the executed legal opinion of Milbank, Tweed, Hadley & McCloy, substantially in the form of Exhibit B hereto.

Very truly yours,

THE BANK OF NEW YORK
(in its nominee name
Hare & Co.), as custodian
for Artemis America LLC

By_____
Name:
Title:

Accepted and agreed:

BGLS INC.

By_____
  Name:
  Title:

Acknowledged and agreed:

SHAWMUT BANK, N.A., Trustee

By_____
  Name:
  Title:

EXHIBIT A

Dividends received from New Valley Holdings	$31,040,941
Deposit Amount	23,874,179
Interest on Securities	1,614,714
Applied to interest on Series 2 Notes	$ 5,552,048

May 2, 1995

AIF II, L.P.
Artemis America LLC
Mainstay High Yield Corporate
Bond Fund
Tortoise & Co.

Ladies and Gentlemen:

We have acted as special New York counsel to BGLS Inc. in connection with letter agreements dated as of the date hereof among each of you (or your nominee), the Company and Shawmut Bank, N.A., trustee under an Indenture (the "Indenture") dated as of September 30, 1994 relating to 13.75% Series 1 Senior Secured Notes due 1995 (the "Letter Agreements"). Terms defined in the Indenture are used herein as defined therein.

In rendering the opinion expressed below, we have examined the following agreements, instruments and other documents:

(a) the Indenture;

(b) the Pledge Agreement;

(c) the Letter Agreements; and

(d) such other documents as we have deemed necessary as a basis for the opinion expressed below.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that to the extent the Pledge Agreement created a security interest in the Collateral securing the Securities, that security interest was not affected by the call of the Securities

for redemption on May 3, 1995, the deposit of the Redemption Price with the Trustee or the postponement of the redemption pursuant to the Letter Agreements.

The foregoing opinion is limited to matters involving the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

This opinion letter is provided to you by us in our capacity as special New York counsel to the Company and may not be relied upon by any person or for any purpose other than in connection with the transactions contemplated by the Letter Agreements without, in each instance, our prior written consent.

Very truly yours,

MLW:MMI

May 2, 1995

BGLS Inc.
100 S.E. Second Street
Miami, FL 33131

Ladies and Gentlemen:

The undersigned is the holder of $7,330,000 principal amount of your 13.75% Series 1 Senior Secured Notes due 1995 (the "Notes") as nominee for AIF II, L.P. as beneficial owner (the "Beneficial Owner"). On April 3, 1995, you gave notice of redemption of the Notes (the "Redemption Notice") on May 3, 1995 pursuant to the Indenture dated as of September 30, 1994 between you and Shawmut Bank, N.A., trustee (the "Indenture", terms defined therein having the same meanings when used herein). You hereby represent that you deposited with the Trustee an amount (the "Deposit Amount") sufficient to effect the redemption of all the Securities on that date (which Deposit Amount shall remain on deposit until the Notes are redeemed). You represent that letter agreements substantially identical to this letter agreement ("Other Letter Agreements") are being entered into between you and all holders of Securities and that true and correct copies of the Other Letter Agreements are attached hereto.

We hereby waive our right to have the Notes redeemed on May 3, 1995 pursuant to the Redemption Notice and thereafter until a date (not earlier than May 9, 1995), designated by written notice (a "Notice") (delivered by hand or by telecopy) of two Business Days from us to you or from you to us, in either case with a contemporaneous copy to the Trustee, such notice to be in place of any notice required under Section 3.03 of the Indenture. If you receive such a notice from any Person other than the undersigned, you agree to promptly deliver a copy of such notice to the undersigned, with a copy to the Beneficial Owner and its counsel for such purpose (if known to you). The Notes subject to this letter agreement and the Other Letter Agreements shall become due and payable and shall be redeemed at

100% of the principal amount thereof plus (notwithstanding anything to the contrary in the Redemption Notice or the Indenture) interest accrued until redemption, upon the earliest to occur of (i) two Business Days after the sending of such Notice under this letter agreement or any Other Letter Agreement, (ii) the Maturity Date, (iii) any date on which the maturity of the Securities is accelerated and (iv) any amendment or modification of any Other Letter Agreement. Without limiting our rights to receive such price, we acknowledge that the portion of the Deposit Amount applied towards redemption of the Notes (the "Proportionate Deposit Amount") will be limited to an amount proportional to the amount of Securities held by us. Unless actually utilized to retire the Notes beneficially owned by the undersigned, the Trustee shall retain the Proportionate Deposit Amount exclusively for such purpose. We shall have no liability to you, and no holder of Securities that enters into an Other Letter Agreement shall have any liability to us, based on the delivery of any such notice or the consequences thereof. The foregoing exculpation shall also inure to the benefit of any Beneficial Owners and any direct or indirect pledgee of the Notes. For purposes of the second paragraph of Section 3.05 of the Indenture, the definition of "Redemption Date" set forth in Section 1.01 shall be deemed amended to read as follows:

> "'Redemption Date,' when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the letter agreements dated May 2, 1995 among the Company, the Trustee and the Holders amending this Indenture."

We also waive, as holders of Securities and Series 2 Notes, any default that may have arisen under the Indenture or the Series 2 Note Indenture solely as a result of the application of Payments from NV Holdings not in excess of $5,552,048 to pay interest on April 1, 1995 on the Series 2 Notes; provided, however, that the foregoing waiver is based upon your representation and warranty, which you hereby make, that Exhibit A hereto accurately describes the amount, source and flow of such Payments and shall in any event expire on the day following the day fixed for redemption pursuant to clauses (i) - (iv) of the preceding paragraph. Except as specifically provided in the immediately preceding sentence, nothing in this letter agreement shall limit our rights with respect to any Default or Event of Default. You represent that as of the date hereof there is no other Default or Event of Default continuing.

Between the date hereof and the date of imposition of the legend referred to in the next sentence, we agree not to transfer any of the Notes unless the transferee agrees in writing to be bound by the terms of this letter agreement. We agree to

surrender the Notes to the Trustee promptly after the date hereof so that they can be legended to reflect the contents of this letter agreement, provided that the arrangements for such legending are reasonably satisfactory to us and to the Beneficial Owner.

Please indicate that the foregoing represents our agreement by signing and returning the enclosed copy of this letter. This letter agreement shall represent a supplement to the Indenture. Except as supplemented hereby, the Indenture remains and shall remain in full force and effect. The Trustee shall have no liability to any Person with respect to its action or inaction pursuant to this letter agreement taken absent negligence or bad faith.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter agreement shall not be effective until each of the following conditions has occurred: (i) this letter agreement shall have been duly executed and delivered by you and the Trustee, (ii) each Other Letter Agreement shall have been duly executed and delivered by all the parties thereto and (iii) the undersigned shall have received the executed legal opinion of Milbank, Tweed, Hadley & McCloy, substantially in the form of Exhibit B hereto.

Very truly yours,

UNITED STATES TRUST COMPANY
OF NEW YORK (in its nominee
name Atwell & Co.), as
custodian for AIF II, L.P.

By_____
Name:
Title:

Accepted and agreed:

BGLS INC.

By_____
  Name:
  Title:

Acknowledged and agreed:

SHAWMUT BANK, N.A., Trustee

By_____
  Name:
  Title:

EXHIBIT A

Dividends received from New Valley Holdings	$31,040,941
Deposit Amount	23,874,179
Interest on Securities	1,614,714
Applied to interest on Series 2 Notes	$ 5,552,048

May 2, 1995

AIF II, L.P.
Artemis America LLC
Mainstay High Yield Corporate
Bond Fund
Tortoise & Co.

Ladies and Gentlemen:

We have acted as special New York counsel to BGLS Inc. in connection with letter agreements dated as of the date hereof among each of you (or your nominee), the Company and Shawmut Bank, N.A., trustee under an Indenture (the "Indenture") dated as of September 30, 1994 relating to 13.75% Series 1 Senior Secured Notes due 1995 (the "Letter Agreements"). Terms defined in the Indenture are used herein as defined therein.

In rendering the opinion expressed below, we have examined the following agreements, instruments and other documents:

(a) the Indenture;

(b) the Pledge Agreement;

(c) the Letter Agreements; and

(d) such other documents as we have deemed necessary as a basis for the opinion expressed below.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that to the extent the Pledge Agreement created a security interest in the Collateral securing the Securities, that security interest was not affected by the call of the Securities

for redemption on May 3, 1995, the deposit of the Redemption Price with the Trustee or the postponement of the redemption pursuant to the Letter Agreements.

The foregoing opinion is limited to matters involving the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

This opinion letter is provided to you by us in our capacity as special New York counsel to the Company and may not be relied upon by any person or for any purpose other than in connection with the transactions contemplated by the Letter Agreements without, in each instance, our prior written consent.

Very truly yours,

MLW:MMI

May 2, 1995

BGLS Inc.
100 S.E. Second Street
Miami, FL 33131

Ladies and Gentlemen:

The undersigned is the holder of $377,000 principal amount of your 13.75% Series 1 Senior Secured Notes due 1995 (the "Notes") as nominee for Mainstay High Yield Corporate Bond Fund as beneficial owner (the "Beneficial Owner"). On April 3, 1995, you gave notice of redemption of the Notes (the "Redemption Notice") on May 3, 1995 pursuant to the Indenture dated as of September 30, 1994 between you and Shawmut Bank, N.A., trustee (the "Indenture", terms defined therein having the same meanings when used herein). You hereby represent that you deposited with the Trustee an amount (the "Deposit Amount") sufficient to effect the redemption of all the Securities on that date (which Deposit Amount shall remain on deposit until the Notes are redeemed). You represent that letter agreements substantially identical to this letter agreement ("Other Letter Agreements") are being entered into between you and all holders of Securities and that true and correct copies of the Other Letter Agreements are attached hereto.

We hereby waive our right to have the Notes redeemed on May 3, 1995 pursuant to the Redemption Notice and thereafter until a date (not earlier than May 9, 1995), designated by written notice (a "Notice") (delivered by hand or by telecopy) of two Business Days from us to you or from you to us, in either case with a copy to the Trustee, such notice to be in place of any notice required under Section 3.03 of the Indenture. If you receive such a notice from any Person other than the undersigned, you agree to promptly deliver a copy of such notice to the undersigned, with a contemporaneous copy to the Beneficial Owner and its counsel for such purpose (if known to you). The Notes subject to this letter agreement and the Other Letter Agreements

shall become due and payable and shall be redeemed at 100% of the principal amount thereof plus (notwithstanding anything to the contrary in the Redemption Notice or the Indenture) interest accrued until redemption, upon the earliest to occur of (i) two Business Days after the sending of such Notice under this letter agreement or any Other Letter Agreement, (ii) the Maturity Date, (iii) any date on which the maturity of the Securities is accelerated and (iv) any amendment or modification of any Other Letter Agreement. Without limiting our rights to receive such price, we acknowledge that the portion of the Deposit Amount applied towards redemption of the Notes (the "Proportionate Deposit Amount") will be limited to an amount proportional to the amount of Securities held by us. Unless actually utilized to retire the Notes beneficially owned by the undersigned, the Trustee shall retain the Proportionate Deposit Amount exclusively for such purpose. We shall have no liability to you, and no holder of Securities that enters into an Other Letter Agreement shall have any liability to us, based on the delivery of any such notice or the consequences thereof. The foregoing exculpation shall also inure to the benefit of any Beneficial Owners and any direct or indirect pledgee of the Notes. For purposes of the second paragraph of Section 3.05 of the Indenture, the definition of "Redemption Date" set forth in Section 1.01 shall be deemed amended to read as follows:

> "'Redemption Date,' when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the letter agreements dated May 2, 1995 among the Company, the Trustee and the Holders amending this Indenture."

We also waive, as holders of Securities and Series 2 Notes, any default that may have arisen under the Indenture or the Series 2 Note Indenture solely as a result of the application of Payments from NV Holdings not in excess of $5,552,048 to pay interest on April 1, 1995 on the Series 2 Notes; provided, however, that the foregoing waiver is based upon your representation and warranty, which you hereby make, that Exhibit A hereto accurately describes the amount, source and flow of such Payments and shall in any event expire on the day following the day fixed for redemption pursuant to clauses (i) - (iv) of the preceding paragraph. Except as specifically provided in the immediately preceding sentence, nothing in this letter agreement shall limit our rights with respect to any Default or Event of Default. You represent that as of the date hereof there is no other Default or Event of Default continuing.

Between the date hereof and the date of imposition of the legend referred to in the next sentence, we agree not to transfer any of the Notes unless the transferee agrees in writing

to be bound by the terms of this letter agreement. We agree to surrender the Notes to the Trustee promptly after the date hereof so that they can be legended to reflect the contents of this letter agreement, provided that the arrangements for such legending are reasonably satisfactory to us and to the Beneficial Owner.

Please indicate that the foregoing represents our agreement by signing and returning the enclosed copy of this letter. This letter agreement shall represent a supplement to the Indenture. Except as supplemented hereby, the Indenture remains and shall remain in full force and effect. The Trustee shall have no liability to any Person with respect to its action or inaction pursuant to this letter agreement taken absent negligence or bad faith.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter agreement shall not be effective until each of the following conditions has occurred: (i) this letter agreement shall have been duly executed and delivered by you and the Trustee, (ii) each Other Letter Agreement shall have been duly executed and delivered by all the parties thereto and (iii) the undersigned shall have received the executed legal opinion of Milbank, Tweed, Hadley & McCloy, substantially in the form of Exhibit B hereto.

Very truly yours,

DAFFODIL & CO.

By_____
Name:
Title:

Accepted and agreed:

BGLS INC.

By_____
  Name:
  Title:

Acknowledged and agreed:

SHAWMUT BANK, N.A., Trustee

By_____
  Name:
  Title:

EXHIBIT A

Dividends received from New Valley Holdings	$31,040,941
Deposit Amount	23,874,179
Interest on Securities	1,614,714
Applied to interest on Series 2 Notes	$ 5,552,048

May 2, 1995

AIF II, L.P.
Artemis America LLC
Mainstay High Yield Corporate
Bond Fund
Tortoise & Co.

Ladies and Gentlemen:

We have acted as special New York counsel to BGLS Inc. in connection with letter agreements dated as of the date hereof among each of you (or your nominee), the Company and Shawmut Bank, N.A., trustee under an Indenture (the "Indenture") dated as of September 30, 1994 relating to 13.75% Series 1 Senior Secured Notes due 1995 (the "Letter Agreements"). Terms defined in the Indenture are used herein as defined therein.

In rendering the opinion expressed below, we have examined the following agreements, instruments and other documents:

(a) the Indenture;

(b) the Pledge Agreement;

(c) the Letter Agreements; and

(d) such other documents as we have deemed necessary as a basis for the opinion expressed below.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that to the extent the Pledge Agreement created a security interest in the Collateral securing the Securities, that security interest was not affected by the call of the Securities

for redemption on May 3, 1995, the deposit of the Redemption Price with the Trustee or the postponement of the redemption pursuant to the Letter Agreements.

The foregoing opinion is limited to matters involving the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

This opinion letter is provided to you by us in our capacity as special New York counsel to the Company and may not be relied upon by any person or for any purpose other than in connection with the transactions contemplated by the Letter Agreements without, in each instance, our prior written consent.

Very truly yours,

MLW:MMI

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF BROOKE GROUP LTD. FOR THE THREE MONTHS ENDED MARCH 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
3-MOS
DEC-31-1995
JAN-01-1995
MAR-31-1995
35,877
0
17,304
0
51,779
118,614
25,128
0
234,498
143,054
402,607
1,825
0
0
(344,417)
234,498
95,290
95,290
46,378
95,686
(2,187)
0
14,715
(12,924)
(14)
(12,910)
14,786
0
0
1,876
0.27
0