

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, 2004	December 31, 2003
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents.....	\$ 74,323	\$ 74,808
Investment securities available for sale.....	52,157	67,521
Accounts receivable - trade.....	14,849	10,425
Other receivables.....	3,201	2,605
Inventories.....	119,419	127,351
Restricted assets.....	1,025	771
Deferred income taxes.....	16,336	19,328
Other current assets.....	14,100	12,568
	-----	-----
Total current assets.....	295,410	315,377
Property, plant and equipment, net.....	139,652	143,596
Assets held for sale.....	9,438	9,438
Long-term investments, net.....	2,512	2,431
Investments in non-consolidated real estate businesses.....	20,705	18,718
Restricted assets.....	5,571	5,571
Deferred income taxes.....	13,679	13,200
Intangible asset.....	107,511	107,511
Other assets.....	12,231	12,370
	-----	-----
Total assets.....	\$606,709	\$628,212
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT):		
Current liabilities:		
Current portion of notes payable and long-term debt.....	\$ 7,679	\$ 10,762
Accounts payable.....	9,578	8,635
Accrued promotional expenses.....	19,800	22,203
Accrued taxes payable, net.....	40,061	48,577
Settlement accruals.....	58,335	52,650
Deferred income taxes.....	4,002	4,000
Accrued interest.....	3,183	7,004
Other accrued liabilities.....	15,133	19,255
	-----	-----
Total current liabilities.....	157,771	173,086
Notes payable, long-term debt and other obligations, less current portion.....	298,606	299,977
Noncurrent employee benefits.....	14,409	13,438
Deferred income taxes.....	141,753	139,927
Other liabilities.....	4,470	4,781
Minority interests.....	44,816	43,478
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 100,000,000 shares, issued 42,147,240 and 42,103,276 shares and outstanding 39,087,653 and 39,021,189 shares.....	3,909	3,902
Additional paid-in capital.....	236,398	251,239
Deficit.....	(275,971)	(280,598)
Accumulated other comprehensive loss.....	(7,854)	(9,335)
Less: 3,059,587 and 3,082,087 shares of common stock in treasury, at cost...	(11,598)	(11,683)
	-----	-----
Total stockholders' equity (deficit).....	(55,116)	(46,475)
	-----	-----
Total liabilities and stockholders' equity (deficit).....	\$606,709	\$628,212
	=====	=====

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, 2004	March 31, 2003
Revenues:		
Tobacco*.....	\$ 126,573	\$ 131,343
Real estate leasing.....	1,781	1,799
Total revenues.....	128,354	133,142
Expenses:		
Cost of goods sold*.....	74,100	83,791
Operating, selling, administrative and general expenses.....	39,837	49,551
Restructuring charges.....	653	--
Operating income (loss).....	13,764	(200)
Other income (expenses):		
Interest and dividend income.....	695	1,445
Interest expense.....	(6,422)	(7,149)
Gain (loss) on investments, net.....	251	(62)
Equity income (loss) from non-consolidated real estate businesses.....	646	(717)
Other, net.....	(5)	(7)
Income (loss) from operations before provision (benefit) for income taxes and minority interests.....	8,929	(6,690)
Provision (benefit) for income taxes.....	4,688	(593)
Minority interests.....	386	1,248
Net income (loss).....	\$ 4,627	\$ (4,849)
Per basic common share:		
Net income (loss) applicable to common shares.....	\$ 0.12	\$ (0.13)
Basic weighted average common shares outstanding.....	39,062,999	38,432,593
Per diluted common share:		
Net income (loss) applicable to common shares.....	\$ 0.11	\$ (0.13)
Diluted weighted average common shares outstanding.....	41,259,968	38,432,593
Dividends declared per share.....	\$ 0.40	\$ 0.38

* Revenues and Cost of goods sold include excise taxes of \$46,170 and \$49,818 for the three months ended March 31, 2004 and 2003, respectively.

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

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

	Common Stock		Additional Paid-In Capital	Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance, December 31, 2003	39,021,189	\$ 3,902	\$ 251,239	\$ (280,598)	\$ (11,683)	\$ (9,335)	\$ (46,475)
Net income	--	--	--	4,627	--	--	4,627
Unrealized gain on investment securities	--	--	--	--	--	1,481	1,481
Total other comprehensive income	--	--	--	--	--	--	1,481
Total comprehensive income	--	--	--	--	--	--	6,108
Distributions on common stock	--	--	(15,635)	--	--	--	(15,635)
Exercise of warrants and options	66,464	7	575	--	85	--	667
Tax benefit of options exercised	--	--	141	--	--	--	141
Amortization of deferred compensation, net	--	--	78	--	--	--	78
Balance, March 31, 2004	<u>39,087,653</u>	<u>\$ 3,909</u>	<u>\$ 236,398</u>	<u>\$ (275,971)</u>	<u>\$ (11,598)</u>	<u>\$ (7,854)</u>	<u>\$ (55,116)</u>

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, 2004	March 31, 2003
Net cash provided by (used in) operating activities: ..	\$ 2,109	\$ (12,048)
Cash flows from investing activities:		
Capital expenditures	(581)	(1,804)
Sale or maturity of investment securities	29,950	45,578
Purchase of investment securities	(10,317)	(27,541)
Sale or maturity of long-term investments	149	--
Purchase of long-term investments	(230)	--
Investment in non-consolidated real estate businesses	(1,500)	(9,500)
Increase in restricted assets	--	(4)
Payment of prepetition claims	--	(17)
Net cash provided by investing activities	17,471	6,712
Cash flows from financing activities:		
Repayments of debt	(5,109)	(4,894)
Borrowings under revolver	129,243	154,916
Repayments on revolver	(129,231)	(143,117)
Distributions on common stock	(15,635)	(14,794)
Proceeds from exercise of warrants and options	667	507
New Valley repurchase of common stock	--	(1,346)
Net cash used in financing activities	(20,065)	(8,728)
Net decrease in cash and cash equivalents	(485)	(14,064)
Cash and cash equivalents, beginning of period	74,808	100,027
Cash and cash equivalents, end of period	\$ 74,323	\$ 85,963

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

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

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"), Liggett Group Inc. ("Liggett"), Vector Tobacco Inc. ("Vector Tobacco"), Liggett Vector Brands Inc. ("Liggett Vector Brands") and other less significant subsidiaries. The Company owned 58.1% of the common shares of New Valley Corporation ("New Valley") at March 31, 2004. All significant intercompany balances and transactions have been eliminated.

Liggett is engaged in the manufacture and sale of cigarettes in the United States. Vector Tobacco is engaged in the development and marketing of low nicotine and nicotine-free cigarette products and the development of reduced risk cigarette products. New Valley is currently engaged in the real estate business and is seeking to acquire additional operating companies.

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, 2003, 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 restructuring and impairment charges, inventory valuation, deferred tax assets, allowance for doubtful accounts, promotional accruals, sales returns and allowances, actuarial assumptions of pension plans, settlement accruals and litigation and defense costs. Actual results could differ from those estimates.

(c) RECLASSIFICATIONS:

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation.

(d) EARNINGS PER SHARE:

Information concerning the Company's common stock has been adjusted to give effect to the 5% stock dividend paid to Company stockholders on September 29, 2003. In connection with the 5% dividend, the Company increased the number of outstanding 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, 2003.

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

Basic net income per share is computed by dividing net income by the weighted-average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options, vested restricted stock grants and warrants. Basic and diluted EPS were calculated using the following shares for the years ended March 31, 2004 and 2003.

	Three Months Ended	
	March 31, 2004	March 31, 2003
Weighted-average shares for basic EPS	39,062,999	38,432,593
Plus incremental shares related to stock options, vested restricted stock grants and warrants	2,196,969	--
Weighted-average shares for diluted EPS ...	<u>41,259,968</u>	<u>38,432,593</u>

The Company had a net loss for the three months ended March 31, 2003. 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 antidilutive. Potentially dilutive shares that were not included in the diluted loss per share calculation were 1,330,794 at March 31, 2003 which shares are issuable upon the exercise of stock options, vested restricted stock grants and warrants, assuming the treasury stock method.

(e) COMPREHENSIVE INCOME (LOSS):

Other comprehensive income (loss) is a component of stockholders' equity (deficit) and includes such items as the unrealized gains and losses on investment securities and minimum pension liability adjustments. Total comprehensive income was \$6,108 for the three months ended March 31, 2004 and total comprehensive loss was \$4,922 for the three months ended March 31, 2003.

(f) NEW ACCOUNTING PRONOUNCEMENTS:

In December 2003, Financial Accounting Standards Board Interpretation ("FIN") No. 46(R), "Consolidation of Variable Interest Entities (revised December 2003)", was issued. The interpretation revises FIN No. 46, "Consolidation of Variable Interest Entities", to exempt certain entities from the requirements of FIN No. 46. The interpretation requires a company to consolidate a variable interest entity ("VIE"), as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN No. 46(R) also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. The interpretation applies immediately to a VIE created or acquired after January 31, 2003. For a VIE acquired before February 1, 2003, FIN No. 46(R) applies in the first interim period ending after March 15, 2004. The adoption of this interpretation did not impact the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132(R), which replaces SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132(R) does not change the measurement and recognition provisions of SFAS No. 87, SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," however, it includes additional disclosure provisions for annual reporting,

including detailed plan asset information by category, expanded benefit obligation disclosure and key assumptions. In addition, interim disclosures related to the individual elements of plan costs and employer's current year contributions are required. (See Note 6.)

2. RESTRUCTURING

On October 8, 2003, the Company announced that it would close Vector Tobacco's Timberlake, North Carolina cigarette manufacturing facility in order to reduce excess tobacco production capacity and improve operating efficiencies company-wide. Production of the QUEST line of low nicotine and nicotine-free cigarettes, as well as production of Vector Tobacco's other cigarette brands, has been moved to Liggett's state-of-the-art manufacturing facility in Mebane, North Carolina.

The Mebane facility currently produces in excess of 9 billion units per year, but maintains the capacity to produce 16 billion units per year. Vector Tobacco has contracted with Liggett Group to produce its cigarettes and has transitioned production from Timberlake to Mebane. All production ceased at Timberlake by December 31, 2003. As part of the transition, Vector eliminated approximately 150 positions.

As a result of these actions, the Company recognized pre-tax restructuring and impairment charges of \$21,521, of which \$21,300 was taken in 2003 and the remaining \$221 was taken in the first quarter of 2004. Machinery and equipment to be disposed of was reduced to estimated fair value less costs to sell during 2003 and is being carried on the accompanying consolidated balance sheets as assets held for sale. The asset impairment charges are based on management's current estimates of the values the Company will be able to realize on sales of the excess machinery and equipment, and may be adjusted in future periods based on the actual amounts realized.

As part of the continuing effort to adjust the cost structure of the Company's tobacco business and improve operating efficiency, Liggett Vector Brands eliminated approximately 85 positions during April 2004. As a result of these actions, we currently expect to recognize additional pre-tax restructuring charges of approximately \$2,027 during 2004, including approximately \$804 relating to employee severance and benefit costs and approximately \$1,223 for contract termination and other associated costs. Approximately \$470 of these charges represent non-cash items. The Company recognized \$432 of these pre-tax restructuring charges in the first quarter of 2004, with the balance to be recognized primarily in the second quarter.

Annual cost savings related to the restructuring and impairment charges are currently expected to be at least \$23,000 beginning in 2004. Management is currently reviewing opportunities for additional cost savings as a result of these restructuring activities at Vector Tobacco and Liggett Vector Brands.

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

The components of the pre-tax restructuring and impairment charges for 2003 and the quarter ended March 31, 2004 are as follows:

	Employee Severance and Benefits	Non-Cash Asset Impairment	Contract Termination/ Exit Costs	Total
	-----	-----	-----	-----
Balance, December 31, 2002	\$ --	\$ --	\$ --	\$ --
Original charges	2,045	18,752	503	21,300
Utilized in 2003	(182)	(18,752)	(54)	(18,988)
	-----	-----	-----	-----
Balance, December 31, 2003	1,863	--	449	2,312
Original charges	432	--	221	653
Utilized in 2004	(1,434)	--	(236)	(1,670)
	-----	-----	-----	-----
Balance, March 31, 2004 ..	\$ 861	\$ --	\$ 434	\$ 1,295
	=====	=====	=====	=====

3. INVENTORIES

Inventories consist of:

	March 31, 2004	December 31, 2003
	-----	-----
Leaf tobacco	\$ 79,902	\$ 80,239
Other raw materials	3,401	3,060
Work-in-process	1,771	1,609
Finished goods	36,598	42,825
Replacement parts and supplies	507	636
	-----	-----
Inventories at current cost ..	122,179	128,369
LIFO adjustments	(2,760)	(1,018)
	-----	-----
	\$ 119,419	\$ 127,351
	=====	=====

The Company has a leaf inventory management program whereby, among other things, it is committed to purchase certain quantities of leaf tobacco. The purchase commitments are for quantities not in excess of anticipated requirements and are at prices, including carrying costs, established at the date of the commitment. At March 31, 2004, Liggett had leaf tobacco purchase commitments of approximately \$3,439 and Vector Tobacco had leaf tobacco purchase commitments of approximately \$1,624.

LIFO inventories represent approximately 58.4% and 53.8% of total inventories at March 31, 2004 and December 31, 2003, respectively.

Included in the above table is approximately \$41,919 at March 31, 2004 and \$44,220 at December 31, 2003 of inventory associated with Vector Tobacco's new product initiatives. The recoverability of costs of such inventory is dependent upon future demand for these products and market conditions. If actual demand or market conditions in the near term are less favorable than those estimated, material inventory write-downs may be required.

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

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	March 31, 2004	December 31, 2003
	-----	-----
Land and improvements	\$ 10,019	\$ 10,019
Buildings	74,326	74,326
Machinery and equipment	104,509	105,032
Leasehold improvements	1,023	1,023
Construction-in-progress	1,987	1,554
	-----	-----
	191,864	191,954
Less accumulated depreciation	(52,212)	(48,358)
	-----	-----
	\$ 139,652	\$ 143,596
	=====	=====

The table above includes real estate assets and accumulated depreciation owned and operated by New Valley in the amounts of \$54,258 and \$1,544 as of March 31, 2004 and \$54,258 and \$1,246 as of December 31, 2003. (Refer to Note 9.)

Depreciation and amortization expense for the three months ended March 31, 2004 was \$3,525. Future machinery and equipment purchase commitments at Liggett are \$2,673 as of March 31, 2004.

In July 2003, Liggett granted an unaffiliated third party an option to purchase Liggett's former manufacturing facility and other excess real estate in Durham, North Carolina with a net book value at March 31, 2004 of approximately \$1,342. The option agreement permits the purchaser to acquire the property, during a period of up to two years, at a purchase price of \$14,000 if the closing occurs by August 23, 2004 and \$15,000 if the closing occurs thereafter during the term of the option. Liggett has received option fees of \$1,000, of which \$250 is refundable if the purchaser terminates the agreement prior to August 23, 2004. Liggett will be entitled to receive additional option fees of up to \$500 during the remaining option period. The option fees will generally be creditable against the purchase price. The purchaser is currently conducting due diligence, and there can be no assurance the sale of the property will occur.

The Company recorded an \$18,752 non-cash asset impairment charge during the third quarter of 2003 in conjunction with the closing of Vector Tobacco's Timberlake, North Carolina facility of which \$17,968 relates to machinery and equipment. (See Note 2.) Vector Tobacco has entered into negotiations to sell the Timberlake facility, including all equipment not relocated to Mebane.

During 2003, Liggett entered into sale-leaseback transactions in which equipment with a book value of \$4,483 was sold and leased back from a third party as operating leases. Liggett received cash of \$2,386, and no gain or loss was recognized on these transactions.

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

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

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

	March 31, 2004 -----	December 31, 2003 -----
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 \$6,032 and \$6,675	63,968	63,325
Liggett:		
Revolving credit facility	12	--
Term loan under credit facility	5,113	5,190
Other notes payable	8,882	9,758
Vector Tobacco:		
Notes payable	5,576	5,999
Notes payable - Medallion acquisition	35,000	38,125
V.T. Aviation:		
Notes payable	10,208	10,496
VGR Aviation:		
Notes payable	5,276	5,346
New Valley:		
Notes payable - operating real estate	39,750	39,910
Other	--	90
	-----	-----
Total notes payable, long-term debt and other obligations	306,285	310,739
Less:		
Current maturities	(7,679)	(10,762)
	-----	-----
Amount due after one year	\$ 298,606	\$ 299,977
	=====	=====

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 July 15, 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. The conversion price, which was \$27.11 per share at March 31, 2004, 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. In December 2001, \$40,000 of the notes were converted into Vector's common stock, and \$132,500 of the notes were outstanding at March 31, 2004.

The notes may be redeemed by Vector, in whole or in part, prior to 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.

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

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

In May 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. In April 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 \$24,500. 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 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, Liggett Vector Brands, Vector Tobacco and New Valley Holdings, Inc. ("NV Holdings"), as well as a pledge of the shares of Liggett and all of the New Valley securities held by VGR Holding and NV Holdings. The purchase agreement for the notes contains covenants, which the Company is in compliance with at March 31, 2004. Among other things, the covenants limit the ability of VGR Holding to make distributions to the Company to 50% of VGR Holding's net income, unless VGR Holding holds an amount in cash equal to the then principal amount of the notes outstanding (\$70,000 at March 31, 2004) after giving effect to the payment of the distribution, and limit additional indebtedness of VGR Holding, Liggett, Vector Tobacco and Liggett Vector Brands to 250% of EBITDA (as defined in the purchase agreements) for the trailing 12 months. The covenants also 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.

VGR Holding has the right (which it has not exercised) under the purchase agreement for the notes to elect to treat Vector Tobacco as a "designated subsidiary" and exclude the losses of Vector Tobacco in determining the amount of additional indebtedness permitted to be incurred. If VGR Holding were to make this election, future cash needs of Vector Tobacco would be required to be funded directly by Vector or by third-party financing as to which neither VGR Holding nor Liggett could provide any guarantee or credit support.

VGR Holding may redeem the notes, in whole or in part, at a redemption price of 100% of the principal amount. 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:

On April 14, 2004, Liggett entered into an Amended and Restated Loan and Security Agreement with Congress Financial Corporation, as lender. The \$50,000 credit facility replaces Liggett's previous \$40,000 facility with Congress, under which \$12 was outstanding at March 31, 2004. Availability as determined under the facility was approximately \$28,527 based on eligible collateral at March 31, 2004. Had the new facility been in place at March 31, 2004, availability would have been approximately \$41,433. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility bear interest at a rate equal to 1.0% above the prime rate of Wachovia Bank, N.A. (the indirect parent of Congress). The facility requires Liggett's compliance with certain financial and other covenants including a restriction on Liggett's ability to pay 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 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

VECTOR GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) -- (CONTINUED)
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with the agreement). At March 31, 2004, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$52,396 and net working capital was \$21,397, as computed in accordance with the agreement.

100 Maple LLC, a company formed by Liggett in 1999 to purchase its Mebane, North Carolina manufacturing plant, has a term loan of \$5,113 outstanding under Liggett's credit facility at March 31, 2004. The remaining balance of the term loan is payable in monthly installments of \$77 with a final payment on June 1, 2006 of \$3,101. Interest is charged at the same rate as applicable to Liggett's credit facility, and the outstanding balance of the term loan reduces the maximum availability under the credit facility. Liggett has guaranteed the term loan, and a first mortgage on the Mebane property and manufacturing equipment collateralizes the term loan and Liggett's credit facility.

EQUIPMENT LOANS - LIGGETT:

In March 2000, Liggett purchased equipment for \$1,000 through the issuance of a note, 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 through the issuance of notes, 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 the issuance of notes guaranteed by the Company, each payable in 60 monthly installments of \$53 with interest calculated at the prime rate.

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

In May 2002, Liggett purchased equipment for \$2,871 through the issuance of a note, payable in 30 monthly installments of \$59 and then 30 monthly installments of \$48 with an effective annual interest rate of 4.64%.

In September 2002, Liggett purchased equipment for \$1,573 through the issuance of a note guaranteed by the Company, payable in 60 monthly installments of \$26 plus interest calculated at LIBOR plus 4.31%.

NOTES 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, plus 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 borrowed an additional \$1,159 from the same lender to finance building improvements. This loan is payable in 30 monthly installments of \$39 plus accrued interest, with an annual interest rate of LIBOR plus 5.12%.

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NOTES FOR MEDALLION ACQUISITION - VECTOR TOBACCO:

The purchase price for the acquisition of Medallion included \$60,000 in notes of Vector Tobacco, guaranteed by the Company and Liggett. Of the notes, \$25,000 have been repaid with the final quarterly principal payment of \$3,125 made on March 31, 2004. The remaining \$35,000 of notes bear interest at 6.5% per year, payable semiannually, and mature on April 1, 2007.

NOTES PAYABLE - V.T. AVIATION:

In February 2001, V.T. Aviation LLC, a subsidiary of Vector Research Ltd., purchased an airplane for \$15,500 and borrowed \$13,175 to fund the purchase. The loan, which is collateralized by the airplane 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 119 monthly installments of \$125, including annual interest of 2.31% above the 30-day commercial paper rate, with a final payment of \$1,420, based on current interest rates.

NOTES PAYABLE - VGR AVIATION:

In February 2002, V.T. Aviation purchased an airplane for \$6,575 and borrowed \$5,800 to fund the purchase. The loan is guaranteed by the Company. The loan is payable in 119 monthly installments of \$40, including annual interest of 2.75% above the 30-day average commercial paper rate, with a final payment of \$2,793, based on current interest rates. During the fourth quarter of 2003, this airplane was transferred to the Company's direct subsidiary, VGR Aviation LLC, which has assumed the debt.

NOTE PAYABLE - NEW VALLEY:

In December 2002, New Valley financed a portion of its purchase of two office buildings in Princeton, New Jersey with a mortgage loan of \$40,500 from HSBC Realty Credit Corporation (USA). The loan has a term of four years, bears interest at a floating rate of 2% above LIBOR, and is collateralized by a first mortgage on the office buildings, as well as by an assignment of leases and rents. Principal is amortized to the extent of \$54 per month during the term of the loan. The loan may be prepaid without penalty and is non-recourse against New Valley, except for various specified environmental and related matters, misapplications of tenant security deposits and insurance and condemnation proceeds, and fraud or misrepresentation by New Valley in connection with the indebtedness.

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6. EMPLOYEE BENEFITS

Net periodic benefit cost for the Company's pension and other postretirement benefit plans for the three months ended March 31, 2004 and 2003 consists of the following (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2004	2003	2004	2003
Service cost - benefits earned during the period	\$ 1,248	\$ 981	\$ 8	\$ 20
Interest cost on projected benefit obligation	2,240	2,390	157	169
Expected return on plan assets ...	(3,027)	(2,930)	--	--
Amortization of net (gain) loss ..	506	414	5	(32)
Net expense	\$ 967	\$ 855	\$ 170	\$ 157

The Company did not make contributions to its pension benefits plans for the three months ended March 31, 2004 and does not anticipate making any contributions to such plans in 2004. The Company anticipates paying \$550 in other postretirement benefits in 2004.

7. 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 are not quantifiable at this time. For the three months ended March 31, 2004, Liggett incurred legal fees and other litigation costs totaling approximately \$1,738 compared to \$1,113 for the three months ended March 31, 2003.

INDIVIDUAL ACTIONS. As of March 31, 2004, there were approximately 382 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

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secondary smoke and seek compensatory and, in some cases, punitive damages. Of these, 103 were pending in Maryland, 95 in Florida, 51 in New York, 34 in Mississippi and 21 in California. The balance of the individual cases were pending in 22 states. In addition to these cases, an action against cigarette manufacturers involving approximately 1,050 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 currently scheduled for March 2005.

There are eight individual cases pending where Liggett is the only named defendant. In April 2004, in one of these cases, BEVERLY DAVIS V. LIGGETT GROUP INC., a jury in a Florida state court action awarded compensatory damages of \$540 against Liggett. Liggett believes there are a number of grounds to challenge the verdict and intends to pursue all post-trial and appellate relief.

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 various states 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 1999, a jury awarded \$800 in compensatory damages and \$79,500 in punitive damages in an Oregon state court case involving Philip Morris. The trial court later determined that the punitive damage award was excessive and reduced it to \$32,000. In June 2002, an Oregon intermediate appellate court reinstated the jury's punitive damages award, and the Oregon Supreme Court refused to hear Philip Morris' appeal of the appellate court ruling in December 2002. Philip Morris appealed to the United States Supreme Court, which, in October 2003, vacated the judgment and remanded the case to the Oregon appellate court for further consideration in light of the recent STATE FARM decision by the United States Supreme Court limiting punitive 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. In October 2002, a jury awarded \$850 in compensatory damages and \$28,000,000 in punitive damages in a California state court case involving Philip Morris. In December 2002, the trial court reduced the punitive damages award to \$28,000. 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 to the California Supreme Court, which vacated the decision. In September 2003, the California appellate court, citing the STATE FARM decision, reduced the punitive damages award to \$9,000. The case is on appeal to the California Supreme Court. During 2001, as a result of a Florida Supreme Court decision

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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 December 2001, in an individual action involving another cigarette manufacturer, a Florida jury awarded a smoker \$165 in compensatory damages. The defendant paid the damages and interest following completion of the appeals process. In February 2002, a federal district court jury in Kansas awarded a smoker \$198 in compensatory damages from two other cigarette manufacturers and, in June 2002, the trial court assessed punitive damages of \$15,000 against one of the defendants. The defendant has appealed the verdict. In April 2003, in an individual Florida state court action involving two other cigarette manufacturers, a jury awarded compensatory damages of \$6,500. In May 2004, a Florida appellate court affirmed, without explanation, the jury award. The defendants will seek further appellate review. In May 2003, a federal district court jury in Arkansas awarded compensatory damages of \$4,025 and punitive damages of \$15,000 in an individual action involving another cigarette manufacturer. The defendant intends to appeal the verdict. In November 2003, in an individual action involving other cigarette manufacturers, a Missouri state court jury awarded \$2,100 in compensatory damages. The defendants have appealed the verdict. In January 2004, a jury in a New York state court action awarded compensatory damages of \$175 and punitive damages of \$8,000 in an individual action against another cigarette manufacturer. The defendant intends to appeal the verdict.

One of the states in which cases are pending against Liggett is Mississippi. During 2003, the Mississippi Supreme Court ruled that the Mississippi Product Liability Act "precludes all tobacco cases that are based on product liability." Based on this ruling, Liggett is seeking, or intends to seek, dismissal of each of the approximately 34 cases pending against it in Mississippi.

CLASS ACTIONS. As of March 31, 2004, there were approximately 33 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, Miami-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

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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. Phase III of the trial was to 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. 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 provided 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 appealed the court's order.

In May 2003, Florida's Third District Court of Appeals decertified the ENGLE class and set aside the jury's decision in the case against Liggett and the other cigarette makers, including the \$145,000,000 punitive damages award. The intermediate appellate court ruled that there were multiple legal bases why the class action trial, including the punitive damages award, could not be sustained. The court found that the class failed to meet the legal requirements for class certification and that class members needed to pursue their claims on an individualized basis. The court also ruled that the trial plan violated Florida law and the appellate court's 1996 certification decision, and was unconstitutional. The court further found that the proceedings were irretrievably tainted by class counsel's misconduct and that the punitive damages award was bankrupting under Florida law.

In October 2003, the Third District Court of Appeals denied class counsel's motions seeking, among other things, a rehearing by the court. Class counsel has filed a motion with the Florida Supreme Court to invoke discretionary review on the basis that the Third District Court of Appeals decision construes the due process provisions of the state and federal constitutions and conflicts with other appellate and supreme court decisions. If the appellate court's ruling is not upheld on further appeal, it will have a material adverse effect on the Company.

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. In November 2000, Liggett filed the \$3,450 bond required by the Florida law in order to stay execution of the ENGLE judgment, pending appeal. Legislation limiting the amount of bonds required to file an appeal of an adverse judgment has also been enacted in Arkansas, California, Colorado, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, West Virginia and Wisconsin.

In May 2001, Liggett, along with Philip Morris and Lorillard Tobacco Co., reached an agreement with the class in the ENGLE case, which provided 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

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consolidated statement of operations for the first quarter of 2001. The agreement, which was approved by the court, assured that the stay of execution, in effect pursuant to the Florida bonding statute, would not be lifted or limited at any point until completion of all appeals, including an appeal to the United States Supreme Court. If Liggett's balance sheet net worth fell below \$33,781 (as determined in accordance with generally accepted accounting principles in effect as of July 14, 2000), the agreement provided that the stay granted in favor of Liggett in the agreement would terminate and the ENGLE class would be free to challenge the Florida bonding statute.

In June 2002, the jury in a Florida state court action entitled LUKACS V. PHILIP MORRIS, ET AL. awarded \$37,500 in compensatory damages in a case involving Liggett and two other tobacco manufacturers. In March 2003, the court reduced the amount of the compensatory damages to \$25,100. The jury found Liggett 50% responsible for the damages incurred by the plaintiff. The LUKACS case was the first individual case to be tried as part of Phase III of the ENGLE case; the claims of all other individuals who are members of the class were stayed pending resolution of the appeal of the ENGLE verdict. The LUKACS verdict, which was subject to the outcome of the Engle appeal, has been overturned as a result of the appellate court's ruling. As discussed above, class counsel in ENGLE is pursuing various appellate remedies seeking reversal of the appellate court's decision.

Class certification motions are pending in a number of putative class actions. Classes remain certified against Liggett in West Virginia (BLANKENSHIP), in California (BROWN), in New York (SIMON), in Kansas (SMITH) and in New Mexico (ROMERO). 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 in January 2001, when the judge declared a mistrial. 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 other defendants. In May 2004, the West Virginia Supreme Court affirmed the defense jury verdict.

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. The defendants' summary judgment motions are pending before the court. Liggett is a defendant in the case.

In September 2002, in IN RE SIMON II LITIGATION, the federal district court for the Eastern District of New York granted plaintiffs' motion for certification of a nationwide non-opt-out punitive damages class action against the tobacco companies, including Liggett. The class is not seeking compensatory damages, but was created to determine whether smokers across the country may be entitled to punitive damages. In its order, the court set a trial date of January 2003, but has since stayed the order pending the tobacco companies' appeal to the U.S. Court of Appeals for the Second Circuit. In February 2003, the Second Circuit agreed to review the district court's class certification decision, and oral argument was held in November 2003.

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In March 2003, in a class action brought against Philip Morris on behalf of smokers of light cigarettes, a state court judge in Illinois awarded \$7,100,000 in actual damages to the class members, \$3,000,000 in punitive damages to the State of Illinois (which was not a plaintiff in this matter), and approximately \$1,800,000 in attorney's fees and costs. Entry of judgment has been stayed. Philip Morris has appealed the verdict.

Approximately 38 purported state and federal class action complaints were filed against the cigarette manufacturers, including Liggett, for alleged antitrust violations. 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 class actions were consolidated and, in July 2000, plaintiffs filed a single consolidated complaint that did not name Liggett as a defendant, although Liggett complied with discovery requests. In July 2002, the court granted defendants' motion for summary judgment in the consolidated federal cases, which decision was affirmed on appeal by the United States Court of Appeals for the Eleventh Circuit. All state court cases on behalf of indirect purchasers have been dismissed, except for two cases pending in Kansas and New Mexico. A Kansas state court, in the case of SMITH V. PHILIP MORRIS COMPANIES INC., ET AL., granted class certification in November 2001. In April 2003, plaintiffs' motion for class certification was granted in ROMERO V. PHILIP MORRIS COMPANIES INC., a case pending in New Mexico state court, which decision has been appealed. Liggett is one of the defendants in the Kansas and New Mexico cases.

GOVERNMENTAL ACTIONS. As of March 31, 2004, there were approximately 13 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.

In August 2003, following the refusal by the Florida Supreme Court to hear the appeal of the Republic of Venezuela in connection with the dismissal of its health care cost recovery action (which decision plaintiff has appealed to the United States Supreme Court), the trial court hearing the health care cost recovery actions brought in Florida by the Republic of Tajikistan and the Brazilian State of Tocantins granted defendants' motions to dismiss the cases. Subsequently, plaintiffs voluntarily dismissed additional health care cost recovery cases brought in Florida by various foreign governmental entities.

THIRD-PARTY PAYOR ACTIONS. As of March 31, 2004, there were approximately five 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. Nine United States Circuit Courts of Appeal have ruled that Third-Party Payors did not have standing to bring lawsuits against the cigarette manufacturers. The

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United States Supreme Court has denied petitions for certiorari in the cases decided by five of the courts of appeal. 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 September 2003, the United States Court of Appeals for the Second Circuit certified two questions relating to plaintiff's direct claims of deceptive business practices to the New York Court of Appeals, which has agreed to review the certified questions. The Second Circuit reversed the portion of the judgment relating to the verdict returned against defendants under plaintiff's subrogation claim, and deferred its ruling on defendants' appeal of the attorneys' fees award until such time as the New York Court of Appeals rules on the certified questions.

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 major 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 asserted 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 September 2000, the court dismissed the government's claims based on MCRA and MSP, reaffirming its decision in July 2001. In the September 2000 decision, the court also determined not to dismiss the government's RICO claims, 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 May 2003, the court denied the industry's motion which sought partial summary judgment as to the government's advertising, marketing, promotion and warning claims on the basis that these claims are within the exclusive jurisdiction of the Federal Trade Commission. In January 2004, the court granted one of the government's pending motions and dismissed certain equitable defenses of defendants. In April 2004, the court denied Liggett's motion to be dismissed from the case. The remaining motions for summary judgment filed by the government and defendants are still pending before the court.

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.

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and no further meetings are planned. In a January 2003 filing with the court, the government alleged that disgorgement by defendants of approximately \$289,000,000 is an appropriate remedy in the case. Trial has been scheduled for September 2004.

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 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 received final judicial approval in each settling jurisdiction.

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, 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 except to the extent 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. As a result of the Medallion acquisition in April 2002, Vector Tobacco has no payment obligations under the MSA, except to the extent its market share exceeds a base amount of approximately 0.28% of total cigarettes sold in the United States. During 1999 and 2000, Liggett's market share did not exceed the base amount. According to data from Management Source Associates, Inc., domestic shipments by Liggett and Vector Tobacco accounted for approximately 2.2% of the total cigarettes shipped in the United States during 2001, 2.5% during 2002 and 2.7% during 2003. On April 15 of any year following a year in which Liggett's and/or Vector Tobacco's

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market shares exceed their base shares, Liggett and/or Vector Tobacco will pay on each excess unit an amount equal (on a per-unit basis) to that due during the same following year by the OPMS under the annual and strategic contribution payment provisions of the MSA, subject to applicable adjustments, offsets and reductions. In March and April 2002, Liggett and Vector Tobacco paid a total of \$31,130 for their 2001 MSA obligations. In March and April 2003, Liggett and Vector Tobacco paid a total of \$37,541 for their 2002 MSA obligations. In June 2003, Liggett and Vector Tobacco reached a settlement with the jurisdictions party to the MSA whereby they agreed to pay \$2,478 in April 2004. The settlement resolved Liggett's and Vector Tobacco's claims that they were entitled to a reduction in their MSA payments as a result of market share loss to non-participating manufacturers for payments based on sales through December 31, 2002. In April 2004, Liggett and Vector Tobacco also paid a total of \$50,322 for their 2003 MSA obligations. Liggett and Vector Tobacco have expensed \$4,728 for their estimated MSA obligations for the first three months of 2004 as part of cost of goods sold. Under the annual and strategic contribution payment provisions of the MSA, the OPMS (and Liggett and Vector Tobacco to the extent their market shares exceed their base shares) are required to pay the following annual amounts (subject to certain adjustments):

Year	Amount
----	-----
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 four 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, other than a \$100 a year payment to Minnesota starting in 2003, to be paid any year cigarettes manufactured by Liggett are sold in the state. 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.

Copies of the various settlement agreements are filed as exhibits to the Company's Annual Report on 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 two individual actions in Florida state court with one scheduled for July 2004 and one for August 2004. Liggett is the sole defendant in each of these cases. Trial in the United States government action is scheduled for September 2004 in federal court in the District of Columbia. One individual action in Iowa state court, involving the major companies as defendants, is scheduled for trial in October 2004. Trial dates, however, are subject to change.

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Management is not able to predict the outcome of the litigation pending against Brooke Group Holding or Liggett. Litigation is subject to many uncertainties. In May 2003, a Florida intermediate appellate court overturned a \$790,000 punitive damages award against Liggett and decertified the ENGLE smoking and health class action. Class counsel in ENGLE is pursuing various appellate remedies seeking reversal of the appellate court's decision. If the appellate court's ruling is not upheld on further appeal, it will have a material adverse effect on the Company. In November 2000, Liggett filed the \$3,450 bond required under the bonding statute enacted in 2000 by the Florida legislature 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 provided assurance to Liggett that the stay of execution, in effect pursuant to the Florida bonding statute, would 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 first quarter of 2001. In June 2002, the jury in an individual case brought under the third phase of the ENGLE case awarded \$37,500 (subsequently reduced by the court to \$25,100) of compensatory damages against Liggett and two other defendants and found Liggett 50% responsible for the damages. The verdict, which was subject to the outcome of the ENGLE appeal, has been overturned as a result of the appellate court's ruling. In April 2004, a jury in a Florida state court action awarded compensatory damages of approximately \$540 against Liggett in an individual action. Liggett intends to appeal the verdict. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Liggett may enter into discussions in an attempt to settle particular cases if it believes it is appropriate to do so. 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 and Vector Tobacco's management are unaware of any material environmental conditions affecting their existing facilities. Liggett's and Vector Tobacco's management believe 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, results of operations or competitive position of Liggett or Vector Tobacco.

Liggett has been served in three reparations actions brought by descendants of slaves. Plaintiffs in these actions claim that defendants, including Liggett, profited from the use of slave labor. Seven additional cases have been filed in California, Illinois and New York. Liggett is a named defendant in only one of these additional cases, but has not been served.

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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:

Many cities and states have recently enacted legislation banning smoking in public places including offices, restaurants, public buildings and bars. Efforts to limit smoking in public places could have a material adverse effect on the Company and Liggett.

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 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 appealed the court's ruling. In December 2002, the United States Court of Appeals for the Fourth Circuit rejected the industry challenge to the EPA report ruling that it was not subject to court review. 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 proposed rule making" concerning how tobacco is imported under a previously established tobacco tariff 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 and recommendations have been made for additional federal and state legislation to regulate cigarette manufacturers. Congressional advocates of FDA regulations have introduced legislation that would give the FDA authority to regulate the

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manufacture, sale, distribution and labeling of tobacco products to protect public health, thereby allowing the FDA to reinstate its prior regulations or adopt new or additional regulations. Proposed legislation has also been introduced in Congress that would eliminate the federal tobacco quota system and impose assessments on manufacturers of tobacco products to compensate tobacco growers and quota holders for the elimination of their quota rights. 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 2002, the United States Court of Appeals for the First Circuit ruled that the ingredients disclosure provisions violated the constitutional prohibition against unlawful seizure of property by forcing firms to reveal trade secrets. The decision was not appealed by the state. Liggett began voluntarily complying with this legislation in December 1997 by providing ingredient information to the Massachusetts Department of Public Health and, notwithstanding the appellate court's ruling, has continued to provide ingredient disclosure. Liggett also provides ingredient information annually, as required by law, to the states of Texas and Minnesota. Several other states are considering ingredient disclosure legislation.

Cigarettes are subject to substantial and increasing federal, state and local excise taxes. The federal excise tax on cigarettes is currently \$0.39 per pack. State and local sales and excise taxes vary considerably and, when combined with sales taxes, local taxes and the current federal excise tax, may currently exceed \$4.00 per pack. Proposed further tax increases in various jurisdictions are currently under consideration or pending. In 2003, 15 states and the District of Columbia enacted increases in excise taxes. Congress has considered significant increases in the federal excise tax or other payments from tobacco manufacturers, and several states have pending legislation proposing further state excise tax increases. In 2004, one state has increased the excise tax rate and several other states are likely to impose additional taxes on cigarettes. In the opinion of the Company, increases in excise and similar taxes have had an adverse impact on sales of cigarettes.

Various state governments have adopted or are considering adopting legislation establishing fire safety standards for cigarettes. Compliance with this legislation could be burdensome and costly. In June 2000, the New York State legislature passed legislation charging the state's Office of Fire Prevention and Control, referred to as the "OFPC," with developing standards for "fire-safe" or self-extinguishing cigarettes. New York State must be manufactured to certain self-extinguishment standards set out in the regulations. Certain design and manufacturing changes will be necessary for cigarettes manufactured for sale in New York to comply with the standards. Inventories of cigarettes existing in the wholesale and retail trade as of June 28, 2004 that do not comply with the standards, may continue to be sold provided New York tax stamps have been affixed and such inventories have been purchased in comparable quantities to the same period in the previous year. Liggett and Vector Tobacco have not historically provided products that would be compliant under these new OFPC regulations. Liggett and Vector Tobacco expect, however, to supply compliant products by June 28, 2004. Similar legislation is being considered by other state governments and at the federal level. Compliance with such legislation could harm the business of Liggett and Vector Tobacco, particularly if there are varying standards from state to state.

Federal or state regulators may object to Vector Tobacco's reduced carcinogen and low nicotine and nicotine-free cigarette products as unlawful or allege they bear deceptive or unsubstantiated product claims, and seek the removal of the products from the marketplace, or significant changes to advertising. Various concerns regarding Vector Tobacco's advertising practices have been expressed to Vector Tobacco by certain state attorneys general. Vector Tobacco has engaged in discussions in an effort to resolve these concerns. Allegations by federal or state regulators, public

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health organizations and other tobacco manufacturers that Vector Tobacco's products are unlawful, or that its public statements or advertising contain misleading or unsubstantiated health claims or product comparisons, may result in litigation or governmental proceedings. Vector Tobacco's business may become subject to extensive domestic and international governmental regulation. Various proposals have been made for federal, state and international legislation to regulate cigarette manufacturers generally, and reduced constituent cigarettes specifically. It is possible that laws and regulations may be adopted covering issues like the manufacture, sale, distribution, advertising and labeling of tobacco products as well as any express or implied health claims associated with reduced carcinogen and low nicotine and nicotine-free cigarette products and the use of genetically modified tobacco. A system of regulation by agencies like the FDA, the Federal Trade Commission or the United States Department of Agriculture may be established. In addition, a group of public health organizations submitted a petition to the FDA, alleging that the marketing of the OMNI product is subject to regulation by the FDA under existing law. Vector Tobacco has filed a response in opposition to the petition. The FTC has also expressed interest in the regulation of tobacco products made by tobacco manufacturers, including Vector Tobacco, which bear reduced carcinogen claims. The ultimate outcome of any of the foregoing cannot be predicted, but any of the foregoing could have a material adverse impact on the Company.

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. 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 or legislation.

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 Ltd. shares from Brooke (Overseas) Ltd., which was then an indirect subsidiary of Brooke Group Holding, 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 is ongoing.

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

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claims alleging inadequate disclosure in the proxy statement. Brooke Group Holding and New Valley believe that the remaining allegations are without merit and recently filed a motion for summary judgment on the remaining three claims.

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, 2004, New Valley had \$600 of remaining prepetition bankruptcy-related claims and restructuring accruals including claims for lease rejection damages. The remaining claims may be subject to future adjustments based on potential settlements or decisions of the court.

8. EQUITY

The Company accounts for employee stock compensation plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees", with the intrinsic value-based method permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148. Accordingly, no compensation expense is recognized when the exercise price is equal to the market price of the underlying common stock on the date of grant.

Awards under the Company's stock compensation plans generally vest over periods ranging from four to five years from the date of grant. The expense related to stock option compensation included in the determination of net income for the three months ended March 31, 2004 and March 31, 2003 is less than that which would have been recognized if the fair value method had been applied to all awards since the original effective date of SFAS No. 123. The following table illustrates the effect on net income (loss) and income (loss) per share if the Company had applied the fair value provisions of SFAS No. 123:

	Three Months Ended	
	March 31, 2004	March 31, 2003
	-----	-----
Net income (loss)	\$ 4,627	\$ (4,849)
Add: stock option employee compensation expense included in reported net income (loss), net of related tax effects	32	1,354
Deduct: total stock option employee compensation expense determined under the fair value method for all awards, net of related tax effects	(548)	(2,233)
	-----	-----
Pro forma net income (loss)	\$ 4,111	\$ (5,728)
	=====	=====
Income (loss) per share:		
Basic - as reported	\$ 0.12	\$ (0.13)
Diluted - as reported	\$ 0.11	\$ (0.13)
Basic - pro forma	\$ 0.11	\$ (0.15)
Diluted - pro forma	\$ 0.10	\$ (0.15)

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For purposes of this pro forma presentation, the fair value of each option grant was estimated at the date of the grant using the Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price characteristics which are significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock-based compensation awards.

During the quarter ended March 31, 2004, 66,464 options, exercisable at prices ranging from \$3.92 to \$15.44 per share, were exercised for \$667.

9. NEW VALLEY CORPORATION

ACQUISITION OF REAL ESTATE. In December 2002, New Valley purchased two office buildings in Princeton, New Jersey, for a total purchase price of \$54,000. New Valley financed a portion of the purchase price through a borrowing of \$40,500 from HSBC Realty Credit Corporation (USA). (Refer to Note 5.)

Also in December 2002, New Valley and the other owners of Prudential Douglas Elliman Real Estate, formerly known as Prudential Long Island Realty, contributed their interests in Prudential Douglas Elliman Real Estate to Douglas Elliman Realty, LLC, formerly known as Montauk Battery Realty LLC, a newly formed entity. New Valley acquired a 50% ownership interest in Douglas Elliman Realty, LLC, an increase from its previous 37.2% interest in Prudential Douglas Elliman Real Estate as a result of an additional investment of \$1,413 by New Valley and the redemption by Prudential Douglas Elliman Real Estate of various ownership interests.

In March 2003, Douglas Elliman Realty, LLC purchased the leading New York City-based residential brokerage firm, Douglas Elliman, LLC, formerly known as Insignia Douglas Elliman, and an affiliated property management company for \$71,250. New Valley invested an additional \$9,500 in subordinated debt and equity of Douglas Elliman Realty, LLC to help fund the acquisition. The subordinated debt, which has a principal amount of \$9,500, bears interest at 12% per annum and is due in March 2013.

LTS. In March 2004, New Valley and the other holder of the convertible notes of Ladenburg Thalmann Financial Services Inc. ("LTS") entered into a debt conversion agreement with LTS. New Valley and the other holder agreed to convert their notes, with an aggregate principal amount of \$18,010, together with the accrued interest, into common stock of LTS. Pursuant to the conversion agreement, the conversion price of the note held by New Valley will be reduced from the current conversion price of approximately \$2.08 to \$1.10 per share.

The note conversion transaction is subject to approval by the LTS shareholders. New Valley, several shareholders of LTS affiliated with New Valley and the other holder of the convertible notes have committed to vote their shares of common stock of LTS at its shareholder meeting in accordance with the vote of a majority of votes cast at the meeting excluding the shares held by such parties. At the closing, New Valley's note, representing approximately \$9,470 of principal and accrued interest, will be converted into approximately 8,610,000 shares of LTS common stock. New Valley currently intends to distribute to its stockholders shares of LTS common stock issued to New Valley pursuant to the conversion agreement.

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OTHER. In October 1999, New Valley's Board of Directors authorized the repurchase of up to 2,000,000 common shares from time to time on the open market or in privately negotiated transactions depending on market conditions. As of March 31, 2004, New Valley had repurchased 1,185,615 shares for approximately \$4,695. At March 31, 2004, the Company owned 58.1% of New Valley's common shares.

10. INCOME TAXES

The effective tax rates for the three months ended March 31, 2004 and March 31, 2003 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses and state income taxes.

The consolidated balance sheets of the Company include deferred income tax assets and liabilities, which represent temporary differences in the application of accounting rules established by generally accepted accounting principles and income tax laws. As of March 31, 2004, the Company's deferred income tax liabilities exceeded its deferred income tax assets by \$115,740. The largest component of the Company's deferred tax liabilities exists because of differences that resulted from a 1998 and 1999 transaction with Philip Morris Incorporated in which a subsidiary of Liggett contributed three of its premium cigarette brands to Trademarks LLC, a newly-formed limited liability company. In such transaction, Philip Morris acquired an option to purchase the remaining interest in Trademarks for a 90-day period commencing in December 2008, and the Company has an option to require Philip Morris to purchase the remaining interest for a 90-day period commencing in March 2010. For additional information concerning the Philip Morris brand transaction, see Note 19 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

In connection with the transaction, the Company recognized in 1999 a pre-tax gain of \$294,078 in its consolidated financial statements and established a deferred tax liability of \$103,100 relating to the gain. Upon exercise of the options during the 90-day periods commencing in December 2008 or in March 2010, the Company will be required to pay tax in the amount of the deferred tax liability, which will be offset by the benefit of any deferred tax assets, including any net operating losses, available to the Company at that time. In connection with an examination of the Company's 1998 and 1999 federal income tax returns, the Internal Revenue Service issued to the Company in September 2003 a notice of proposed adjustment. The notice asserts that, for tax reporting purposes, the entire gain should have been recognized in 1998 and in 1999 in the additional amounts of \$150,000 and \$129,900, respectively, rather than upon the exercise of the options during the 90-day periods commencing in December 2008 or in March 2010. If the Internal Revenue Service were to ultimately prevail with the proposed adjustment, it would result in the potential acceleration of tax payments of approximately \$118,000, including interest, net of tax benefits, through March 31, 2004. These amounts have been previously recognized in the Company's consolidated financial statements as tax liabilities. As of March 31, 2004, the Company believes amounts potentially due have been fully provided for in its consolidated statements of operations.

The Company believes the positions reflected on its income tax returns are correct and intends to vigorously oppose any proposed adjustments to its returns. The Company has filed a protest with the Appeals Division of the Internal Revenue Service. No payment is due with respect to these matters during the appeal process. Interest currently is accruing on the disputed amounts at a rate of 7%, with the rate adjusted quarterly based on rates published by the U.S. Treasury Department. If taxing authorities were to ultimately prevail in their assertion that the Company incurred a tax obligation prior to the exercise dates of these options and it was required to make such tax payments prior to 2009 or 2010, and if any necessary financing were not available to the Company, its liquidity could be adversely affected.

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11. SEGMENT INFORMATION

The Company's significant business segments for the three months ended March 31, 2004 and 2003 were Liggett, Vector Tobacco and real estate. The Liggett segment consists of the manufacture and sale of conventional cigarettes and, for segment reporting purposes, includes the operations of Medallion acquired on April 1, 2002 (which operations are held for legal purposes as part of Vector Tobacco). The Vector Tobacco segment includes the development and marketing of the low nicotine and nicotine-free cigarette products as well as the development of reduced risk cigarette products and, for segment reporting purposes, excludes the operations of Medallion.

Financial information for the Company's continuing operations before taxes and minority interests for the three months ended March 31, 2004 and 2003 follows:

	Liggett -----	Vector Tobacco -----	Real Estate -----	Corporate and Other -----	Total -----
THREE MONTHS ENDED MARCH 31, 2004					
Revenues.....	\$122,221	\$ 4,352	\$ 1,781	\$ -	\$128,354
Operating income (loss).....	27,783(1)	(8,706)(1)	921	(6,234)	13,764(1)
Identifiable assets.....	310,471	64,821	76,382	155,035	606,709
Depreciation and amortization....	1,997	592	321	615	3,525
Capital expenditures.....	495	35	-	51	581
THREE MONTHS ENDED MARCH 31, 2003					
Revenues.....	\$124,915	\$ 6,428	\$ 1,799	\$ -	\$133,142
Operating income (loss).....	30,262	(24,081)	926	(7,307)	(200)
Identifiable assets.....	308,127	100,287	72,847	234,835	716,096
Depreciation and amortization....	2,039	1,157	321	678	4,195
Capital expenditures.....	860	733	-	211	1,804

(1) Includes restructuring and impairment charges in 2004 of \$389 at Liggett and \$264 at Vector Tobacco.

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

(Dollars in Thousands, Except Per Share Amounts)
(UNAUDITED)

OVERVIEW

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

- o the manufacture and sale of cigarettes in the United States through our subsidiary Liggett Group Inc., and
- o the development and marketing of the low nicotine and nicotine-free QUEST cigarette products and the development of reduced risk cigarette products through our subsidiary Vector Tobacco Inc.

During 2002, the sales and marketing functions, along with certain support functions, of our Liggett and Vector Tobacco subsidiaries were combined into a new entity, Liggett Vector Brands Inc. This company coordinates and executes the sales and marketing efforts for all of our tobacco operations. With the combined resources of Liggett and Vector Tobacco, Liggett Vector Brands has enhanced distribution and marketing capabilities.

In October 2003, we announced that we would close Vector Tobacco's Timberlake, North Carolina cigarette manufacturing facility in order to reduce excess cigarette production capacity and improve operating efficiencies company-wide. Production of QUEST and Vector Tobacco's other cigarette brands has been transferred to Liggett's state-of-the-art manufacturing facility in Mebane, North Carolina.

All of Liggett's unit volume in the first quarter of 2004 was in the discount segment, which Liggett's management believes has been the primary growth segment in the industry for over a decade. The significant discounting of premium cigarettes in recent years has led to brands, such as EVE, that were traditionally considered premium brands to become more appropriately categorized as discount, despite their premium list price. Effective February 1, 2004, Liggett reduced the list prices for EVE and JADE from the premium price level to the branded discount level, in the case of EVE, and the deep discount level, in the case of JADE.

Liggett's cigarettes are produced in approximately 220 combinations of length, style and packaging. Liggett's current brand portfolio includes:

- o LIGGETT SELECT - the second largest brand in the deep discount category;
- o EVE - a leading brand of 120 millimeter cigarettes in the branded discount category;
- o JADE - the industry's newest free-standing deep discount menthol brand;
- o PYRAMID - the industry's first branded discount brand; and
- o USA and various control and private label brands.

In 1999, Liggett introduced LIGGETT SELECT, one of the fastest growing brands in the deep discount category. LIGGETT SELECT is now the largest seller in Liggett's family of brands, comprising 50.7% of Liggett's unit volume in the first quarter of 2004 and 50.9% of Liggett's unit volume for the year ended December 31, 2003.

Our majority-owned subsidiary, New Valley Corporation, is currently engaged in the real estate business and is seeking to acquire additional operating companies. In December 2002, New Valley acquired two office buildings in Princeton, New Jersey and increased its ownership to 50% in Douglas Elliman Realty, LLC, which operates the largest residential brokerage company in the New York metropolitan area.

RECENT DEVELOPMENTS

QUEST INTRODUCTION. In January 2003, Vector Tobacco introduced QUEST, its brand of low nicotine and nicotine-free cigarette products. QUEST is designed for adult smokers who are interested in reducing their levels of nicotine intake and is available in both menthol and non-menthol styles. Each Quest style offers three different packagings, with decreasing amounts of nicotine - QUEST 1, 2 and 3. QUEST 1, the low nicotine variety, contains 0.6 milligrams of nicotine. QUEST 2, the extra-low nicotine variety, contains 0.3 milligrams of nicotine. QUEST 3, the nicotine-free variety, contains only trace levels of nicotine - no more than 0.05 milligrams of nicotine per cigarette. QUEST cigarettes utilize a proprietary process that enables the production of nicotine-free tobacco that tastes and smokes like tobacco in conventional cigarettes. All six QUEST varieties are being sold in box style packs and are priced comparable to other premium brands.

QUEST is initially available in New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois and Michigan. These seven states account for approximately 30% of all cigarette sales in the United States. A multi-million dollar advertising and marketing campaign, with advertisements running in magazines and regional newspapers, supported the product launch. The brand continues to be supported by significant point-of-purchase awareness campaigns, as well as store related and periodic newspaper advertisements.

The premium segment of the industry is currently experiencing intense competitive activity, with increased discounting of premium brands at all levels of retail. Given these marketplace conditions, and the results that we have seen to date with QUEST, we intend to take a measured approach to expanding the market presence of the brand. In November 2003, Vector Tobacco introduced three menthol varieties of QUEST in the seven state market. In addition, we are utilizing the information that we have obtained since the introduction of the QUEST non-menthol product to more specifically target our focus in the seven state market in the coming months. Based upon those results, the success of the menthol product and market conditions in the premium segment, we will make a determination on the timing of a national launch of QUEST at a later date.

Vector Tobacco also introduced QUEST and QUEST Menthol into an expansion market in Arizona in January 2004. Arizona accounts for approximately 1% of the industry volume nationwide.

At March 31, 2004, approximately \$41,919 of our inventory was associated with Vector Tobacco's new product initiatives. We estimate an inventory reserve for excess quantities and obsolete items, taking into account future demand and market conditions. If actual demand for Vector Tobacco's products or market conditions in the near term are less favorable than those estimated, material inventory write-downs may be required.

QUEST brand cigarettes are currently marketed solely to permit adult smokers, who wish to continue smoking, to gradually reduce their intake of nicotine. The products are not labeled or advertised for smoking cessation or as a safer form of smoking.

In October 2003, we announced that Jed E. Rose, Ph.D., Director of Duke University Medical Center's Nicotine Research Program and co-inventor of the nicotine patch, had conducted a study at Duke University Medical Center to provide preliminary evaluation of the use of the QUEST technology as a smoking cessation aid. In the preliminary study on QUEST, 33% of QUEST 3 smokers were able to achieve four-week continuous abstinence, a standard threshold for smoking cessation. Management believes these results show real promise for the QUEST technology as a smoking cessation aid and has asked the Food and Drug Administration to supply us with guidance as to the additional research and regulatory filings necessary to market QUEST as a smoking cessation product.

RESTRUCTURING. In October 2003, we announced that we would close Vector Tobacco's Timberlake, North Carolina cigarette manufacturing facility in order to reduce excess cigarette production capacity and improve operating efficiencies company-wide. Production of the QUEST line of low nicotine and nicotine-free cigarettes, as well as production of Vector Tobacco's other cigarette brands, has been moved to Liggett's state-of-the-art manufacturing facility in Mebane, North Carolina.

The Mebane facility currently produces in excess of 9 billion units per year, but maintains the capacity to produce approximately 16 billion units per year. Vector Tobacco has contracted with Liggett to produce its cigarettes and has transitioned production from Timberlake to Mebane. All production ceased at Timberlake by December 31, 2003. As part of the transition, we eliminated approximately 150 positions.

As a result of these actions, we recognized pre-tax restructuring and impairment charges of \$21,300 in 2003, and additional charges of \$221 were taken in the first quarter 2004. Approximately \$2,045 relate to employee severance and benefit costs, \$724 to contract termination and exit and moving costs, and \$18,752 to non-cash asset impairment charges. Machinery and equipment to be disposed of was reduced to fair value less costs to sell during 2003. The asset impairment charges are based on management's current estimates of the values we will be able to realize on sales of excess machinery and equipment, and may be adjusted in future periods based on the actual amounts realized.

Vector Tobacco has entered into negotiations to sell the Timberlake facility, including all equipment not relocated to Mebane.

As part of the continuing effort to adjust the cost structure of our tobacco business and improve operating efficiency, Liggett Vector Brands eliminated approximately 85 positions during April of 2004. As a result of these actions, we currently expect to recognize additional pre-tax restructuring charges of approximately \$2,027 during 2004, including approximately \$804 relating to employee severance and benefit costs and approximately \$1,223 for contract termination and other associated costs. Approximately \$470 of these charges represent non-cash items. We recognized \$432 of these pre-tax restructuring charges in the first quarter of 2004, with the balance to be recognized primarily in the second quarter.

Annual cost savings related to the restructuring and impairment charges are currently expected to be at least \$23,000 beginning in 2004. Management is currently reviewing opportunities for additional cost savings as a result of these restructuring activities at Vector Tobacco and Liggett Vector Brands.

AMENDED LIGGETT CREDIT FACILITY. On April 14, 2004, Liggett entered into an Amended and Restated Loan and Security Agreement with Congress Financial Corporation, as lender. The \$50,000 credit facility replaces Liggett's current \$40,000 facility with Congress. The facility is collateralized by all inventories and receivables of Liggett and a first mortgage on the Mebane, North Carolina plant and manufacturing equipment.

TAX MATTERS. In connection with the 1998 and 1999 transaction with Philip Morris Incorporated in which a subsidiary of Liggett contributed three of its premium cigarette brands to Trademarks LLC, a newly-formed limited liability company, we recognized in 1999 a pre-tax gain of \$294,078 in our consolidated financial statements and established a deferred tax liability of \$103,100 relating to the gain. In such transaction, Philip Morris acquired an option to purchase the remaining interest in Trademarks for a 90-day period commencing in December 2008, and we have an option to require Philip Morris to purchase the remaining interest for a 90-day period commencing in March 2010. Upon exercise of the options during the 90-day periods commencing in December 2008 or in March 2010, we will be required to pay tax in the amount of the deferred tax liability, which will be offset by the benefit of any deferred tax assets, including any net operating losses, available to us at that time. In connection with an examination of our 1998 and 1999 federal income tax returns, the Internal Revenue Service issued to us in

September 2003 a notice of proposed adjustment. The notice asserts that, for tax reporting purposes, the entire gain should have been recognized in 1998 and in 1999 in the additional amounts of \$150,000 and \$129,900, respectively, rather than upon the exercise of the options during the 90-day periods commencing in December 2008 or in March 2010. If the Internal Revenue Service were to ultimately prevail with the proposed adjustment, it would result in the potential acceleration of tax payments of approximately \$118,000, including interest, net of tax benefits, through March 31, 2004. These amounts have been previously recognized in our consolidated financial statements as tax liabilities. As of March 31, 2004, we believe amounts potentially due have been fully provided for in our consolidated statements of operations.

We believe the positions reflected on our income tax returns are correct and intend to vigorously oppose any proposed adjustments to our returns. We have filed a protest with the Appeals Division of the Internal Revenue Service. No payment is due with respect to these matters during the appeals process. Interest currently is accruing on the disputed amounts at a rate of 7%, with the rate adjusted quarterly based on rates published by the U.S. Treasury Department. If taxing authorities were to ultimately prevail in their assertion that we incurred a tax obligation prior to the exercise dates of these options and we were required to make such tax payments prior to 2009 or 2010, and if any necessary financing were not available to us, our liquidity could be adversely affected.

REAL ESTATE ACQUISITIONS. In December 2002, New Valley purchased two office buildings in Princeton, New Jersey for a total purchase price of \$54,000. New Valley financed a portion of the purchase price through a borrowing of \$40,500 from HSBC Realty Credit Corporation (USA).

The loan has a term of four years, bears interest at a floating rate of 2% above LIBOR, and is collateralized by a first mortgage on the office buildings, as well as by an assignment of leases and rents. Principal is amortized to the extent of \$54 per month during the term of the loan. The loan may be prepaid without penalty and is non-recourse against New Valley, except for various specified environmental and related matters, misapplications of tenant security deposits and insurance and condemnation proceeds, and fraud or misrepresentation by New Valley in connection with the indebtedness.

Also in December 2002, New Valley and the other owners of Prudential Douglas Elliman Real Estate, formerly known as Prudential Long Island Realty, contributed their interests in Prudential Douglas Elliman Real Estate to Douglas Elliman Realty, formerly known as Montauk Battery Realty LLC, a newly formed entity. New Valley acquired a 50% ownership interest in Douglas Elliman Realty, an increase from its previous 37.2% interest in Prudential Douglas Elliman Real Estate as a result of an additional investment of \$1,413 by New Valley and the redemption by Prudential Douglas Elliman Real Estate of various ownership interests.

In March 2003, Douglas Elliman Realty purchased the leading New York City-based residential brokerage firm, Douglas Elliman, LLC, formerly known as Insignia Douglas Elliman, and an affiliated property management company for \$71,250. With that acquisition, the combination of Prudential Douglas Elliman Real Estate with Douglas Elliman has created the largest residential brokerage company in the New York metropolitan area. New Valley invested an additional \$9,500 in subordinated debt and equity of Douglas Elliman Realty to help fund the acquisition. The subordinated debt, which has a principal amount of \$9,500, bears interest at 12% per annum and is due in March 2013.

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, 2004, there were approximately 382 individual suits, 33 purported class actions and 18 governmental and other third-party payor health care reimbursement actions pending in the

United States in which Liggett was a named defendant. A civil lawsuit has been filed by the United States federal government seeking disgorgement of approximately \$289,000,000 from various cigarette manufacturers, including Liggett. In addition to these cases, in 2000, an action against cigarette manufacturers involving approximately 1,050 named individual plaintiffs was 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. Approximately 38 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.

There are eight individual actions where Liggett is the only defendant, with two of these cases currently scheduled for trial in July 2004 and in August 2004. In April 2004, in one of these cases, a jury in a Florida state court action awarded compensatory damages of \$540 against Liggett. Liggett believes there are a number of grounds to challenge the verdict and intends to pursue all post-trial and appellate relief.

In May 2003, a Florida intermediate appellate court overturned a \$790,000 punitive damages award against Liggett and decertified the ENGLE smoking and health class action. Class counsel is pursuing various appellate remedies seeking to reverse the appellate court's decision. If the appellate court's ruling is not upheld on further appeal, it will have a material adverse effect on us. In November 2000, Liggett filed the \$3,450 bond required under the bonding statute enacted in 2000 by the Florida legislature 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 provided assurance to Liggett that the stay of execution, in effect under the Florida bonding statute, would 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. In June 2002, the jury in an individual case brought under the third phase of the ENGLE case awarded \$37,500 (subsequently reduced by the court to \$25,100) of compensatory damages against Liggett and two other defendants and found Liggett 50% responsible for the damages. The verdict, which is subject to the outcome of the ENGLE appeal, has been overturned as a result of the appellate court's ruling discussed above. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Liggett may enter into discussions in an attempt to settle particular cases if it believes it is appropriate to do so. 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 7 to our consolidated financial statements for a description of legislation, regulation and litigation.

CRITICAL ACCOUNTING POLICIES

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 restructuring and impairment charges, inventory valuation, deferred tax assets, allowance for doubtful accounts, promotional accruals, sales returns and allowances, actuarial assumptions of pension plans, settlement accruals 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 the customer, there is persuasive evidence of an arrangement, the sale price is determinable and collectibility is reasonably assured. 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. 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. The adoption of the new accounting standards did not have an 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. The adoption of the new accounting standards did not have an impact on our net earnings or basic or diluted earnings per share.

IMPAIRMENT OF LONG-LIVED ASSETS. We evaluate our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying value of the asset, or related group of assets, may not be fully recoverable. Examples of such events or changes in circumstances include a significant adverse charge in the manner in which a long-lived asset, or group of assets, is being used or a current expectation that, more likely than not, a long-lived asset, or group of assets, will be disposed of before the end of its estimated useful life.

In October 2003, we announced that we would close Vector Tobacco's Timberlake, North Carolina cigarette manufacturing and produce its cigarette products at Liggett's Mebane, North Carolina facility. We have evaluated the net realizable value of the long-lived assets located at the Timberlake facility which will no longer be used in operations. Based on management's current estimates of the values we will be able to realize on sales of the excess machinery and equipment, we have recognized non-cash asset impairment charges of \$18,752 in the third quarter of 2003. The estimate of fair value of these long-lived assets is based on the best information available, including prices for similar assets and the results of using other valuation techniques. Such asset impairment charges may be adjusted in future periods based on the actual amounts realized. Since judgment is involved in determining the fair value of long-lived assets, there is a risk that the carrying value of our long-lived assets may be overstated or understated.

CONTINGENCIES. We record Liggett's product liability legal expenses and other litigation costs as operating, selling, general and administrative expenses as those costs are incurred. As discussed in Note 7 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.

SETTLEMENT AGREEMENTS. As discussed in Note 7 to our consolidated financial statements, Liggett and Vector Tobacco are participants in the Master Settlement Agreement, the 1998 agreement to settle governmental healthcare cost recovery actions brought by various states. Liggett and Vector Tobacco have no payment obligations under the Master Settlement Agreement except to the extent their market shares exceed approximately 1.65% and 0.28%, respectively, of total cigarettes sold in the United States. Their obligations, and the related expense charges under the Master Settlement Agreement, are subject to adjustments based upon, among other things, the volume of cigarettes sold by Liggett and Vector Tobacco, their relative market shares and inflation. Since relative market shares are based on cigarette shipments, the best estimate of the allocation of charges under the Master Settlement Agreement is recorded in cost of goods sold as the products are shipped. Settlement expenses under the Master Settlement Agreement recorded in the accompanying consolidated statements of operations were \$4,728 for the three months ended March 31, 2004 and \$7,583 for the comparable period in 2003. Adjustments to these estimates are recorded in the period that the change becomes probable and the amount can be reasonably estimated.

INVENTORIES. Tobacco inventories are stated at lower of cost or market and are determined primarily by the last-in, first-out (LIFO) method at Liggett and the first-in, first-out (FIFO) method at Vector Tobacco. At March 31, 2004, approximately \$41,919 of our inventory was associated with Vector Tobacco's new product initiatives. Although portions of leaf tobacco inventories may not be used or sold within one year because of time required for aging, they are included in current assets, which is common practice in the industry. We estimate an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand and market conditions. If actual demand for Vector Tobacco's products or market conditions in the near term are less favorable than those estimated, material inventory write-downs may be required.

EMPLOYEE BENEFIT PLANS. Since 1997, income from our defined benefit pension plans, partially offset by the costs of postretirement medical and life insurance benefits, have contributed to our reported operating income up to and including 2002. 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.

Net pension expense for defined benefit pension plans and other postretirement benefit expense aggregated approximately \$4,100 for 2003, and we currently anticipate such expense will be approximately \$4,550 for 2004. In contrast, our funding obligations under the pension plans are

governed by ERISA. To comply with ERISA's minimum funding requirements, we do not currently anticipate that we will be required to make any funding to the pension plans for the pension plan year beginning on January 1, 2004 and ending on December 31, 2004. Any additional funding obligation that we may have for subsequent years is contingent on several factors and is not reasonably estimable at this time.

RESULTS OF OPERATIONS

The following discussion provides an assessment of our 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, Liggett, Vector Tobacco, Liggett Vector Brands, New Valley and other less significant subsidiaries. Our interest in New Valley's common shares was 58.1% at March 31, 2004.

For purposes of this discussion and other consolidated financial reporting, our significant business segments for the three months ended March 31, 2004 and 2003 were Liggett, Vector Tobacco and real estate. The Liggett segment consists of the manufacture and sale of conventional cigarettes and, for segment reporting purposes, includes the operations of Medallion acquired on April 1, 2002 (which operations are held for legal purposes as part of Vector Tobacco). The Vector Tobacco segment includes the development and marketing of reduced nicotine and nicotine-free cigarettes as well as the development of reduced risk cigarette products and, for segment reporting purposes, excludes the operations of Medallion.

	Three Months Ended March 31,	
	2004	2003
	-----	-----
REVENUES:		
Liggett	\$ 122,221	\$ 124,915
Vector Tobacco	4,352	6,428
	-----	-----
Total tobacco	126,573	131,343
Real estate	1,781	1,799
	-----	-----
Total revenues	\$ 128,354	\$ 133,142
	=====	=====
OPERATING INCOME:		
Liggett	\$ 27,783(1)	\$ 30,262
Vector Tobacco	(8,706)(1)	(24,081)
	-----	-----
Total tobacco	19,077	6,181
Real estate	921	926
Corporate and other	(6,234)	(7,307)
	-----	-----
Total operating income (loss)	\$ 13,764(1)	\$ (200)
	=====	=====

(1) Includes restructuring and impairment charges in 2004 of \$389 at Liggett and \$264 at Vector Tobacco.

THREE MONTHS ENDED MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

REVENUES. Total revenues were \$128,354 for the three months ended March 31, 2004 compared to \$133,142 for the three months ended March 31, 2003. This 3.6% (\$4,788) decrease in revenues was due to a \$2,694 or 2.2% decrease in revenues at Liggett, a \$2,076 decrease in revenues at Vector Tobacco, and an \$18 decrease in real estate revenues at New Valley.

TOBACCO REVENUES. In February 2003, Liggett increased its net sales price for selected discount brands by \$.80 per carton. In May 2003, Liggett increased its list price on USA by \$.50 per carton. In June 2003, Liggett increased its list price for LIGGETT SELECT by \$1.10 per carton. In September 2003, Liggett increased its net sales price for PYRAMID by \$.95 per carton. In December 2003, Liggett increased the list price on a leading private label brand by \$.85 per carton.

Effective February 1, 2004, Liggett reduced the list prices for EVE and JADE from the premium price level to the branded discount level, in the case of EVE, and the deep discount level, in the case of JADE. During 2003, EVE product had been subject to promotional buy-downs at the retail level and was effectively promoted to consumers at a level that is fully reflected in the new reduced list price. During 2003, the net list price for JADE was at the deep discount level after giving effect to off-invoice promotional spending.

All of Liggett's sales for the first quarter of 2004 were in the discount category (comprising the brand categories of branded discount, private label, control label, generic, international and contract manufacturing). For the three months ended March 31, 2004, net sales at Liggett totaled \$122,221, compared to \$124,915 for the three months ended March 31, 2003. Revenues decreased by 2.2% (\$2,694) due to a 5.2% decrease in sales volume (approximately 127.3 million units) accounting for \$6,494 in unfavorable volume variance and an unfavorable sales mix of \$410 offset by a net favorable price variance of \$4,210 primarily attributable to price increases subsequent to March 31, 2003 as discussed above. The favorable price variances are after adjustment for certain changes in promotional spending and approximately \$1,400 of costs incurred in the three months ended March 31, 2004, associated with buying down all unpromoted EVE inventory at retail due to the list price reduction described above. Net sales of the LIGGETT SELECT brand increased \$7,751 for the first quarter of 2004 over net sales for the first quarter of 2003, and its unit volume increased 7.6% in the 2004 period compared to 2003.

Revenues at Vector Tobacco for the three months ended March 31, 2004 were \$4,352 compared to revenues of \$6,428 for the 2003 period. Revenues at Vector Tobacco related primarily to sales of QUEST.

TOBACCO GROSS PROFIT. Tobacco gross profit was \$52,322 for the three months ended March 31, 2004 compared to \$47,552 for the three months ended March 31, 2003, an increase of \$4,770 or 10.0% when compared to the prior year period, due primarily to price increases discussed above at Liggett, recognition of lower Master Settlement Agreement expense at Liggett and Vector Tobacco and reduced costs associated with the operations of Vector Tobacco, all partially offset by the effect of lower unit volumes for Liggett and Vector Tobacco. Liggett's brands contributed 96.2% to our gross profit, and Vector Tobacco contributed 3.8% for the three months ended March 31, 2004. Over the same period in 2003, Liggett brands contributed 103.8% to our gross profit and Vector Tobacco cost 3.8%.

Liggett's gross profit of \$50,308 for the three months ended March 31, 2004 increased \$963 from gross profit of \$49,345 for the three months ended March 31, 2003. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett increased to 65.7% for the three months ended March 31, 2004 compared to 64.1% for same period in 2003. This increase in Liggett's gross profit in the 2004 period is attributable to the items discussed above.

Vector Tobacco had gross profit of \$2,014 for the three months ended 2004 and negative gross profit of \$1,793 for the same period in 2003. Gross profit in 2004 reflects cost savings realized with the closing of Vector Tobacco's Timberlake, North Carolina manufacturing facility and the transfer of production to Liggett's facility in Mebane, as well as decreased promotional expense. The negative gross profit in 2003 reflected significant initial promotional costs associated with the QUEST launch, costs associated with excess manufacturing capacity at the Timberlake facility and various inventory charges in 2003. As a percent of revenues (excluding federal excise taxes), gross profit at Vector Tobacco was 51.8% for the three months ended March 31, 2004.

REAL ESTATE REVENUES. New Valley's real estate revenues were \$1,781 for the three months ended March 31, 2004. This compares to revenues of \$1,799 from real estate activities for the three months ended March 31, 2003.

EXPENSES. Operating, selling, general and administrative expenses were \$39,837 for the three months ended March 31, 2004 compared to \$49,551 for the same period last year. These expenses are net of restructuring and impairment charges of \$389 at Liggett and \$264 at Vector Tobacco taken in the 2004 period. Expenses at Liggett were \$22,136 for the three months ended March 31, 2004 compared to \$19,083 for the same period in the prior year, an increase of \$3,053 due primarily to increased sales, marketing and administrative expenses allocated from Liggett Vector Brands. Operating expenses at Liggett include Liggett's product liability legal expenses and other litigation costs of \$1,738 in the three months ended March 31, 2004 compared with \$1,113 for the same period in the prior year. Expenses at Vector Tobacco for the three months ended March 31, 2004 were \$10,456 compared to expenses of \$22,288 for the three months ended March 31, 2003, a decrease of \$11,832 due to lower direct marketing and advertising costs and decreased sales and administrative expenses allocated from Liggett Vector Brands. Effective January 1, 2004, we modified the allocations of the sales, marketing and administrative expenses of Liggett Vector Brands to Liggett and Vector Tobacco based on a review of relative business activities. Accordingly, for the three months ended March 31, 2004, the sales, marketing and administrative expenses allocated to Liggett increased by \$3,348 with a corresponding decrease in such expenses to Vector Tobacco, as compared to the allocation of these expenses between the segments during the three months ended March 31, 2003. These modifications did not effect the consolidated financial statements.

New Valley's expenses for real estate operations were \$860 for the three months ended March 31, 2004 compared to \$873 for the same period in 2003.

For the three months ended March 31, 2004, Liggett's operating income decreased to \$27,783 compared to \$30,262 for the same period in 2003 due primarily to the higher operating expenses discussed above. Vector Tobacco's operating loss was \$8,706 compared to \$24,081 for the same period in 2003 due to costs savings achieved through the 2003 restructuring and the lower operating expenses described above.

OTHER INCOME (EXPENSES). For the three months ended March 31, 2004, other income (expenses) was a loss of \$4,835 compared to a loss of \$6,490 for the three months ended March 31, 2003. For the three months ended March 31, 2004, interest expense of \$6,422 was offset by interest and dividend income of \$695, a gain on sale of investments of \$251 and equity income from non-consolidated New Valley real estate businesses of \$646. For the three months ended March 31, 2003, interest expense of \$7,149, an equity loss from non-consolidated New Valley real estate businesses of \$717 and a loss on investments of \$62 were offset by interest and dividend income of \$1,445.

INCOME (LOSS) FROM OPERATIONS. Income from operations before income taxes and minority interests for the three months ended March 31, 2004 was \$8,929 compared to a loss of \$6,690 for the three months ended March 31, 2003. Income taxes were \$4,688 and minority interests in losses of subsidiaries were \$386 for the three months ended March 31, 2004. This compared to income tax benefit of \$593 and minority interests in losses of subsidiaries of \$1,248 for the three months ended March 31, 2003. The effective tax rates for the three months ended March 31, 2004 and March 31, 2003 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 \$485 for the three months ended March 31, 2004 and decreased \$14,064 for the three months ended March 31, 2003.

Net cash provided by operations for the three months ended March 31, 2004 was \$2,109 compared to net cash used in operations of \$12,048 for the comparable period of 2003. Cash provided by operations in the 2004 period resulted primarily from operating income of \$13,764 compared to an operating loss of \$200 in 2003. In addition, there was a decrease in inventory and the non-cash impact of increased depreciation and amortization offset by a decrease in current liabilities and an increase in accounts receivable. Cash used in operations in the 2003 period resulted primarily from an increase in accounts receivable and inventories offset by an increase in accounts payable and the non-cash impact of depreciation and amortization.

Cash provided by investing activities of \$17,471 in the first quarter of 2004 compares to cash provided of \$6,712 in the 2003 period. In the first quarter of 2004, cash was provided primarily by the sale or maturity of investment securities of \$29,950 offset primarily by the purchase of investment securities of \$10,317, investment in non-consolidated real estate businesses by New Valley of \$1,500 and capital expenditures of \$581. In the first quarter of 2003, cash was provided through the sale or maturity of investment securities for \$45,578 offset primarily by the purchase of investment securities of \$27,541, investment in non-consolidated real estate businesses by New Valley of \$9,500 and capital expenditures of \$1,804.

Cash used in financing activities was \$20,065 for the three months ended March 31, 2004 compared to cash used of \$8,728 in the comparable period in 2003. In the first quarter of 2004, cash was used primarily for distributions on common stock of \$15,635 and repayments of debt of \$5,109, partially offset by proceeds of \$667 from exercise of options. In the first quarter of 2003, cash was used primarily for distributions on common stock of \$14,794, repayments on debt of \$4,894 and the New Valley repurchase of common stock for \$1,346 offset by net borrowings of \$11,799 under the revolver and proceeds from the exercise of warrants and options of \$507.

LIGGETT. On April 14, 2004, Liggett entered into an Amended and Restated Loan and Security Agreement with Congress Financial Corporation, as lender. The \$50,000 credit facility replaces Liggett's previous \$40,000 facility with Congress, under which \$12 was outstanding at March 31, 2004. Availability as determined under the facility was approximately \$28,327 based on eligible collateral at March 31, 2004. Had the new facility been in place at March 31, 2004, availability would have been approximately \$41,433. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility bear interest at a rate equal to 1.0% above the prime rate of Wachovia Bank, N.A. (the indirect parent of Congress). The facility requires Liggett's compliance with certain financial and other covenants including a restriction on Liggett's ability to pay 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 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,

2004, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$52,396 and net working capital was \$21,397, as computed in accordance with the agreement.

100 Maple LLC, a company formed by Liggett in 1999 to purchase its Mebane, North Carolina manufacturing plant, has a term loan of \$5,113 outstanding as of March 31, 2004 under Liggett's credit facility. The remaining balance of the term loan is payable in monthly installments of \$77 with a final payment on June 1, 2006 of \$3,101. Interest is charged at the same rate as applicable to Liggett's credit facility, and the outstanding balance of the term loan reduces the maximum availability under the credit facility. Liggett has guaranteed the term loan, and a first mortgage on the Mebane property and manufacturing equipment collateralizes the term loan and Liggett's credit facility.

In March 2000, Liggett purchased equipment for \$1,000 through the issuance of a note, 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 through the issuance of notes, payable in 60 monthly installments of \$22 with an effective interest rate of 10.20%.

Beginning in October 2001, Liggett upgraded 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 was approximately \$20,000. 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 the issuance of notes, guaranteed by us and payable in 60 monthly installments of \$106 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 the issuance of a note, payable in 30 monthly installments of \$62 and then 30 monthly installments of \$51 with an effective annual interest rate of 4.68%. In May 2002, the fourth line was delivered, and Liggett financed the purchase price of \$2,871 through the issuance of a note, payable in 30 monthly installments of \$59 and then 30 monthly installments of \$48 with an effective annual interest rate of 4.64%. In September 2002, Liggett purchased additional equipment for \$1,573 through the issuance of a note guaranteed by us, payable in 60 monthly installments of \$26 plus interest rate calculated at LIBOR plus 4.31%.

During 2003, Liggett leased two 100 millimeter box packers, which will allow Liggett to meet the growing demand for this cigarette style, and a new filter maker to improve product quality and capacity. These operating lease agreements provide for payments totaling approximately \$4,500.

In July 2003, Liggett granted an unaffiliated third party an option to purchase Liggett's former manufacturing facility and other excess real estate in Durham, North Carolina with a net book value at March 31, 2004 of approximately \$1,342. The option agreement permits the purchaser to acquire the property, during a period of up to two years, at a purchase price of \$14,000 if the closing occurs by August 23, 2004 and \$15,000 if the closing occurs thereafter during the term of the option. Liggett has received option fees of \$1,000, of which \$250 is refundable if the purchaser terminates the agreement prior to August 23, 2004. Liggett will be entitled to receive additional option fees of up to \$500 during the remaining option period. The option fees will generally be creditable against the purchase price. The purchaser is currently conducting due diligence, and there can be no assurance the sale of the property will occur.

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. In May 2003, a Florida intermediate appellate court overturned a \$790,000 punitive damages award against Liggett and decertified the ENGLE smoking and health class action. Class counsel is pursuing various appellate remedies seeking to reverse the appellate court's decision. If the appellate court's ruling is not upheld on further appeal, it will have a material adverse effect on us. In November 2000, Liggett filed the \$3,450 bond required under the bonding statute enacted in 2000 by the Florida legislature 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 provided assurance to Liggett that the stay of execution, in effect pursuant to the Florida bonding statute, would 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. In June 2002, the jury in an individual case brought under the third phase of the ENGLE case awarded \$37,500 (subsequently reduced by the court to \$25,100) of compensatory damages against Liggett and two other defendants and found Liggett 50% responsible for the damages. The verdict, which was subject to the outcome of the ENGLE appeal, has been overturned as a result of the appellate court's ruling discussed above. In April 2004, a jury in a Florida state court action awarded compensatory damages of \$540 against Liggett in an individual action. Liggett intends to appeal the verdict. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Liggett may enter into discussions in an attempt to settle particular cases if it believes it is appropriate to do so. 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 7 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.

V.T. AVIATION. In February 2001, V.T. Aviation LLC, a subsidiary of Vector Research Ltd., purchased an airplane for \$15,500 and borrowed \$13,175 to fund the purchase. The loan, which is collateralized by the airplane and a letter of credit from us for \$775, is guaranteed by Vector Research, VGR Holding and us. The loan is payable in 119 monthly installments of \$125 including annual interest of 2.31% above the 30-day commercial paper rate, with a final payment of \$1,420, based on current interest rates.

VGR AVIATION. In February 2002, V.T. Aviation purchased an airplane for \$6,575 and borrowed \$5,800 to fund the purchase. The loan is guaranteed by us. The loan is payable in 119 monthly installments of \$40, including annual interest at 2.75% above the 30-day commercial paper rate, with a final payment of \$2,793, based on current interest rates. During the fourth quarter of 2003, this airplane was transferred to our direct subsidiary, VGR Aviation LLC, which has assumed the debt.

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, plus 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 us and by VGR Holding.

During December 2001, Vector Tobacco borrowed an additional \$1,159 from the same lender to finance building improvements. This loan 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., a discount cigarette manufacturer, and related assets from Medallion's principal stockholder. 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 have been repaid with the final quarterly principal payment of \$3,125 made on March 31, 2004. The remaining \$35,000 of notes bear interest at 6.5% per year, payable semiannually, and mature on April 1, 2007.

VGR HOLDING. In May 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. In April 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 \$24,500. 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 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, Liggett Vector Brands, 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 agreement for the notes contains covenants, which the Company is in compliance with at March 31, 2004. Among other things, the covenants limit the ability of VGR Holding to make distributions to us to 50% of VGR Holding's net income, unless VGR Holding holds an amount in cash equal to the then principal amount of the notes outstanding (\$70,000 at March 31, 2004) after giving effect to the payment of the distribution, and limit additional indebtedness of VGR Holding, Liggett, Vector Tobacco and Liggett Vector Brands to 250% of EBITDA (as defined in the purchase agreements) for the trailing 12 months. The covenants also 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.

VGR Holding has the right (which it has not exercised) under the purchase agreement for the notes to elect to treat Vector Tobacco as a "designated subsidiary" and exclude the losses of Vector Tobacco in determining the amount of additional indebtedness permitted to be incurred. If VGR Holding were to make this election, future cash needs of Vector Tobacco would be required to be funded directly by us or by third-party financing as to which neither VGR Holding nor Liggett could provide any guarantee or credit support.

VGR Holding may redeem the notes, in whole or in part, at a redemption price of 100% of the principal amount. 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.

NEW VALLEY. In December 2002, New Valley financed a portion of its purchase of two office buildings in Princeton, New Jersey with a \$40,500 mortgage loan from HSBC Realty Credit Corporation (USA). The loan has a term of four years, bears interest at a floating rate of 2% above LIBOR, and is collateralized by a first mortgage on the office buildings, as well as by an

assignment of leases and rents. Principal is amortized to the extent of \$54 per month during the term of the loan. The loan may be prepaid without penalty and is non-recourse against New Valley, except for various specified environmental and related matters, misapplication of tenant security deposits and insurance and condemnation proceeds, and fraud or misrepresentation by New Valley in connection with the indebtedness.

VECTOR. We believe that we will continue to meet our liquidity requirements through 2004, although the covenants in the purchase agreement for VGR Holding's notes limit the ability of VGR Holding to make distributions to us unless certain tests are met. Under the terms of these covenants, at March 31, 2004, VGR Holding was generally not permitted to pay distributions to us except for tax sharing payments and specified amounts of operating expenses. 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 \$15,300, dividends on our outstanding shares (currently at an annual rate of approximately \$63,300) 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 July 15, 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 \$27.11 at March 31, 2004, is subject to adjustment for various events, and any cash distribution on our common stock results in a corresponding decrease in the conversion price. In December 2001, \$40,000 of the notes were converted into our common stock, and \$132,500 principal amount of the notes were outstanding at March 31, 2004.

Our consolidated balance sheets include deferred income tax assets and liabilities, which represent temporary differences in the application of accounting rules established by generally accepted accounting principles and income tax laws. As of March 31, 2004, our deferred income tax liabilities exceeded our deferred income tax assets by \$115,740. The largest component of our deferred tax liabilities exists because of differences that resulted from a 1998 and 1999 transaction with Philip Morris Incorporated in which a subsidiary of Liggett contributed three of its premium brands to Trademarks LLC, a newly-formed limited liability company. In such transaction, Philip Morris acquired an option to purchase the remaining interest in Trademarks for a 90-day period commencing in December 2008, and we have an option to require Philip Morris to purchase the remaining interest commencing in March 2010. For additional information concerning the Philip Morris brand transaction, see Note 19 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2003.

In connection with the transaction, we recognized in 1999 a pre-tax gain of \$294,078 in our consolidated financial statements and established a deferred tax liability of \$103,100 relating to the gain. Upon exercise of the options during the 90-day periods commencing in December 2008 or in March 2010, we will be required to pay tax in the amount of the deferred tax liability, which will be offset by the benefit of any deferred tax assets, including any net operating losses, available to us at that time. In connection with an examination of our 1998 and 1999 federal income tax returns, the Internal Revenue Service issued to us in September 2003 a notice of proposed adjustment. The notice asserts that, for tax reporting purposes, the entire gain should have been recognized in 1998 and in 1999 in the additional amounts of \$150,000 and \$129,900, respectively, rather than upon the exercise of the options during the 90-day periods commencing in December 2008 or in March 2010. If the Internal Revenue Service were to ultimately prevail with the proposed adjustment, it would result in the potential acceleration of tax payments of

approximately \$118,000, including interest, net of tax benefits, through March 31, 2004. These amounts have been previously recognized in our consolidated financial statements as tax liabilities. As of March 31, 2004, we believe amounts potentially due have been fully provided for in our consolidated statements of operations.

We believe the positions reflected on our income tax returns are correct and intend to vigorously oppose any proposed adjustments to our returns. We have filed a protest with the Appeals Division of the Internal Revenue Service. No payment is due with respect to these matters during the appeal process. Interest currently is accruing on the disputed amounts at a rate of 7%, with the rate adjust quarterly based on rates published by the U.S. Treasury Department. If taxing authorities were to ultimately prevail in their assertion that we incurred a tax obligation prior to the exercise dates of these options and we were required to make such tax payments prior to 2009 or 2010, and if any necessary financing were not available to us, our liquidity could be adversely affected.

OFF-BALANCE SHEET ARRANGEMENTS

We have various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. Payment by us under such indemnification clauses is generally conditioned on the other party making a claim that is subject to challenge by us and dispute resolution procedures specified in the particular contract. Further, our obligations under these arrangements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments made by us. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of our obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of March 31, 2004, we were not aware of any indemnification agreements that would or are reasonably expected to have a current or future material adverse impact on our financial position, results of operations or cash flows.

In May 1999, in connection with the Philip Morris brand transaction, Eve Holdings Inc., a subsidiary of Liggett, guaranteed a \$134,900 bank loan to Trademarks LLC. The loan is secured by Trademarks' three premium cigarette brands and Trademarks' interest in the exclusive license of the three brands by Philip Morris. The license provides for a minimum annual royalty payment equal to the annual debt service on the loan plus \$1,000. We believe that the fair value of Eve's guarantee was negligible at March 31, 2004.

At March 31, 2004, we had outstanding approximately \$5,400 of letters of credit, collateralized by certificates of deposit. The letters of credit have been issued as security deposits for leases of office space, to secure the performance of our subsidiaries under various insurance programs and to provide collateral for various subsidiary borrowing and capital lease arrangements.

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.

As of March 31, 2004, approximately \$70,308 of our outstanding debt had variable interest rates, which increases the risk of fluctuating interest rates. Our exposure to market risk includes interest rate fluctuations in connection with our variable rate borrowings, which could adversely affect our cash flows. As of March 31, 2004, we had no interest rate caps or swaps. Based on a hypothetical 100 basis point increase or decrease in interest rates (1%), our annual interest expense could increase or decrease by approximately \$854.

We held investment securities available for sale totaling \$52,157 at March 31, 2004. 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

In December 2003, Financial Accounting Standards Board Interpretation ("FIN") No. 46(R), "Consolidation of Variable Interest Entities (revised December 2003)", was issued. The interpretation revises FIN No. 46, "Consolidation of Variable Interest Entities", to exempt certain entities from the requirements of FIN No. 46. The interpretation requires a company to consolidate a variable interest entity ("VIE"), as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN No. 46(R) also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. The interpretation applies immediately to a VIE created or acquired after January 31, 2003. For a VIE acquired before February 1, 2003, FIN No. 46(R) applies in the first interim period ending after March 15, 2004. The adoption of this interpretation did not impact the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132(R), which replaces SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132(R) does not change the measurement and recognition provisions of SFAS No. 87, SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," however, it includes additional disclosure provisions for annual reporting, including detailed plan asset information by category, expanded benefit obligation disclosure and key assumptions. In addition, interim disclosures related to the individual elements of plan costs and employer's current year contributions are required. (See Note 6 to 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 Litigation 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 Litigation 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.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no significant changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Reference is made to Note 7, incorporated herein by reference, to our consolidated financial statements included elsewhere in this report 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 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 will be furnished to holders of our securities and the securities of our 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, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

No securities of ours which were not registered under the Securities Act of 1933 have been issued or sold by us during the three months ended March 31, 2004. No securities of ours were repurchased by us or our affiliated purchasers during the three months ended March 31, 2004.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- * 4.1 Amended and Restated Loan and Security Agreement, dated as of April 14, 2004, by and between Congress Financial Corporation, as lender, Liggett Group Inc., as borrower, 100 Maple LLC and Epic Holdings Inc. (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated April 14, 2004).
- 31.1 Certification of Chief Executive Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Material Legal Proceedings.

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* Incorporated by reference

(b) REPORTS ON FORM 8-K

We filed the following Report on Form 8-K during the first quarter of 2004:

Date ----	Items -----	Financial Statements -----
March 15, 2004	7, 12	None

SIGNATURE

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 10, 2004

RULE 13A-14(A) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Bennett S. LeBow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vector Group Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [intentionally omitted]
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ Bennett S. Lebow

Bennett S. LeBow
Chairman and Chief Executive Officer

RULE 13A-14(A) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Joselynn D. Van Siclen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vector Group Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [intentionally omitted]
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ JOSELYNN D. VAN SICLEN

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of Vector Group Ltd. (the "Company") on Form 10-Q for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bennett S. LeBow, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 10, 2004

/s/ Bennett S. LeBow

Bennett S. LeBow
Chairman and Chief Executive Officer

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of Vector Group Ltd. (the "Company") on Form 10-Q for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joselynn D. Van Siclen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 10, 2004

/s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

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. 1:99CV02496, USDC, District of Columbia (case filed 9/22/99). The United States of America seeks to recover the proceeds received, and to be received, by tobacco company defendants and certain affiliates for wrongful sales of tobacco products. 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 September 2004. See Note 7, Contingencies, for a more detailed discussion of the case.

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 expended on behalf of those injured by and addicted to defendants' 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 Missouri 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 JANEIRO 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 Janeiro 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.

KAISER ALUMINUM & CHEMICAL CORPORATION, ET AL V. RJR NABISCO, 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.

BLUE CROSS AND BLUE SHIELD OF NEW JERSEY, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 98-3287, New York, Eastern District. 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. The case has been appealed to the United States Court of Appeals for the Second Circuit. On September 16, 2003, the Second Circuit rendered a decision which, among other things, certified certain legal questions concerning that appeal to the Court of Appeals of the State of New York, which agreed to review the certified questions. See Note 7, Contingencies, for a more detailed discussion of the case.

III. SLAVERY REPARATIONS

JOHNSON, ET AL. V. AETNA , INC., ET AL., Case No. 02-2712, USDC, Louisiana, Eastern District. This class action is brought on behalf of all African American slave descendants for slavery reparations.

BANKHEAD, ET AL. V. LLOYD'S OF LONDON, ET AL., Case No. 05 CV 6966, USDC, Southern District of New York (case filed 9/3/02). This class action is brought on behalf of all African American slave descendants for slavery reparations.

TIMOTHY HURDLE V. FLEET BOSTON FINANCIAL, ET AL., Case No. 02-02653, USD, Northern District of California (case filed 09/10/02). This class action is brought on behalf of all African American slave descendants for slavery reparations.

IV. CLASS ACTION CASES

JEFFERSON COUNTY, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. CV 02-6170, Circuit Court, Jefferson County, Alabama (case filed 10/10/02). This action is for injunctive relief and damages. Plaintiffs allege a class action against the tobacco defendants for their smoking related medical expenses unpaid by Medicaid.

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. In April 2001, the court granted in part plaintiff's motion for class certification. Summary judgment motions are currently pending. See Note 7, Contingencies, for a more detailed discussion of this case.

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, 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 was entered in November 2000. The judgment was reversed by the intermediate appellate court on May 21, 2003. Plaintiffs are now seeking relief from the Florida Supreme Court. See Note 7, 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.

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.

BROWN, CHARLENE, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2003-0003-B, Superior Court, District of the Trial Court,

Massachusetts, Hampden (case filed on 01/10/03). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Massachusetts.

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.

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.

BIRCHALL, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A453181, 8th Judicial District Court, Nevada, Clark County (case filed 7/10/02). This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

ELLINGTON, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A454215, 8th Judicial District Court, Nevada, Clark County (case filed 7/31/02). This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

MARTINEZ, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A455846, 8th Judicial District Court, Nevada, Clark County (case filed 9/4/02). This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

RAMSDEN, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A455989, 8th Judicial District Court, Nevada, Clark County (case filed 9/6/02). This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

VANDINA, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A454216, 8th Judicial District Court, Nevada, Clark County (case filed 7/31/02).

This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

VAVREK, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. A454217, 8th Judicial District Court, Nevada, Clark County (case filed 7/31/02). This action is brought on behalf of all Nevada citizens, residents and survivors, who have suffered, presently suffer, or who have died from diseases or medical conditions caused by their addiction to cigarettes that contain nicotine.

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.

MASON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 02-7923, USCA, Second Circuit of New York. Plaintiffs filed a Petition for Writ of Certiorari on March 8, 2004. Appeal to the Supreme Court is pending.

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. In September 2002, the court granted plaintiff's motion for certification of a nationwide punitive damages class. Defendants have taken an appeal of the class certification order to the United States Court of Appeals for the Second Circuit. See Note 7, Contingencies, for a more detailed discussion of this case. (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.

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.

MARTINEZ, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 030900239, 3rd Judicial Court of Utah, Salt Lake County (case filed 01/07/03). 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 was affirmed by the West Virginia Supreme Court in May 2004.

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.

V. INDIVIDUAL SMOKER CASES

DUNN, ET AL. V. HOLCOMB GROCERY, ET AL., Case No. 2001-395, Circuit Court, Alabama, Walker County (case filed 6/8/01). One individual suing.

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.

ADAMS, DIXIE, ET AL. V. AMERICAN TOBACCO CO, INC., ET AL., Case No. GC 030373, Superior Court, Los Angeles County, California. Three individuals suing.

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.

FLEURY V. PHILIP MORRIS INC., ET AL., Case No. BC 261184, Superior Court of California, County of Los Angeles. One individual suing.

KING V. PHILLIP MORRIS INCORPORATED., ET AL., Case No. 2002068646, Superior Court of California, County of Alameda (case filed 10/11/2002). One individual suing.

JACOBS, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. KC

041304, Superior Court, California, Los Angeles County (case filed 3/14/2003). Two individuals 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 3/21/02). 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.

SMITH, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. AS02275998, Superior Court, California, County of Santa Clara. 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, California, Contra Costa County (case filed 10/16/2001). Two individuals suing.

CHRISTENSEN, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 02136, Court of Special Appeals, District of Columbia (case filed 9/03). 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, Florida, Volusia County (case filed 7/9/97). Two individuals suing.

ARNOLD, JAMES, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 04 00472, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 01/16/04). One individuals suing. -

ATCHESON V. R. J. REYNOLDS, ET AL., Case No. 97-31148-CICU, Circuit Court of the 7th Judicial Circuit, 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, 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, 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, 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, Florida, Broward County (case filed 4/10/97). Two individuals suing.

BLUM V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 96005881, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. One individual suing.

BOWDELL, ET AL. V. BROWN & WILLIAMSON TOBACCO, ET AL., Case No. 02-7726-CI-11, Circuit Court for the 6th Judicial Circuit, Pinellas County (case filed 9/30/02). Two individuals suing.

BRADLEY, ET AL. V. AMERICAN TOBACCO, ET AL., Case No. 6:02-CV-01385, USDC, Middle District, Florida. Two individuals.

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, Florida, Broward County (case filed 6/10/97). Two individuals suing.

BROWN, S., ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 03-18552 CA 04, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 08/11/03). Two individuals suing.

BUFORD, CHARLES, A., ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 02-8243-CI-8, Circuit Court of the 6th Judicial Circuit, Florida, Pinellas County (case filed 10/17/02). Two individuals suing.

BURNS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11175-27, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 4/3/98). One individual suing.

CAGLE, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 02 10718, 13th Judicial Circuit, Florida, Hillsborough County (case filed 11/22/02). Two individuals suing.

CALHOUN, C., ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 02-7970, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 8/27/02). Two individuals suing.

COTTO, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-748, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 1/22/03). Two individuals suing.

CLARK, CAROL M. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 02-16981, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County, (case filed 7/3/02). One individual suing.

COFFEY V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 01-09335, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

COLIC, ET AL V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-10844, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

COWART V. LIGGETT GROUP INC, ET AL., Case No.98-01483CA, Circuit Court of the 11th Judicial Circuit, 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, Florida, Broward County (case filed 7/21/97). One individual suing.

DAVIS, BEVERLY, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 02-48914, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 10/4/02). Jury decision on April 28, 2004 awarded compensatory damages of \$540, 000 against Liggett. The Company intends on appealing.

DAVISON, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008776, Circuit Court of the 17th Judicial Circuit, 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, 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, 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, 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, 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, Florida, Hillsborough County (case filed 3/11/98). One individual suing.

FERLANTI, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 0321697, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 12/11/03). Two individuals suing. Liggett is the only defendant.

FLAKS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008750, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 6/10/97). Two individuals suing.

GARRETSON, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 97-32441 CICI, Circuit Court of the 7th Judicial Circuit, 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, Florida, Broward County (case filed 6/10/97). Two individuals suing.

GRANT, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-2673-Div. I, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

GRAY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-21657 CA 42, Circuit Court of the 11th Judicial Circuit, 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, 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, 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, Florida, Broward County (case filed 7/21/97). Two individuals suing.

HARRIS, DONALD, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 02-8105, 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

HART, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 9708781, Circuit Court of the 17th Judicial Circuit, 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, Florida, Volusia County (case filed 6/30/97). Two individuals suing.

HAYHURST, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 03-12302, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 7/14/03). Two individuals suing.

HECKER V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-9336, 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

HENIN V. PHILIP MORRIS, ET AL., Case No. 97-29320 CA 05, Circuit Court of the 11th Judicial Circuit, 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, 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, Florida, Broward County (case filed 6/10/97).

JONES, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 02-21922 CA 22, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 08/29/02). Two individuals suing.

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.

KALOUSTIAN V. LIGGETT GROUP INC., ET AL., Case No. 95-5498, Circuit Court for the 13th Judicial Circuit, 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, 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, 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, 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. See Note 8, Contingencies, for a more detailed discussion of this case.

LUSTIG, ET AL. V. BROWN & WILLIAMSON TOBACCO CO., ET AL., Case No. 97 11168, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 7/21/97). One individual suing.

MAGALDI, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 02-2120 CA 11, Circuit court of the 11th Judicial Court, Florida, Miami-Dade County (case filed 8/21/02). Two individuals suing.

MAGLIARISI, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008895, Circuit Court of the 17 Judicial Circuit, 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, Florida, Broward County (case filed 4/3/98). Two individuals suing.

MARTINEZ, ET AL. V. LIGGETT GROUP INC., Case No. 02-20943-CA15, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 10/14/02). One individual suing. Liggett is the only defendant. Trial is scheduled for August 2004.

MCBRIDE, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 02-0585, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 6/4/02). One individual suing.

MCDONALD, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 03-4767, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 5/19/03). One individual suing.

MECKLER, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-03949-CA, Circuit Court of the 4th Judicial Circuit, 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, 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, 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, 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, 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. Consortium claim only.

PULLARA, ESTATE OF RUBY M., ET AL. V. LIGGETT GROUP, INC. , ET AL., Case No.03-2653- Div. F, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. Two individuals suing.

QUINN, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-4768, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County (case filed 5/19/03). One individual suing.

RAUCH, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11144, Circuit Court of the 17th Judicial Circuit, 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, Florida, Duval County (case filed 3/6/97). One individual 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, Florida, Broward County (case filed 11/24/99). One individual suing.

SCHWARTZ, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. CA 030027078, Circuit Court of the 15th Judicial Circuit, Florida, Palm Beach County (case filed 02/24/03). Two individuals suing. Liggett is the only defendant. Trial is scheduled for July 26, 2004.

SHAW, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008755, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 6/10/97). Two individuals suing.

SHEEHAN V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 01-9559, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. One individual suing.

SHIRAH, ET AL. V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-1589-Div. C, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. Two individual suing.

SPOTTS V. R.J. REYNOLDS, ET AL., Case No. 97-31373 CICI, Circuit Court of the 4th Judicial Circuit, 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, 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, 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, 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, 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, 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, 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, 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, Florida, Dade County (case filed 11/26/97). One individual suing.

WALKER V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-8482, 13th Judicial Circuit, Florida, Hillsborough County. (case filed 09/11/03). One individual suing.

WARD V. BROWN & WILLIAMSON CORPORATION, ET AL., Case No. 03-8480, 13th Judicial Circuit, Florida, Hillsborough County. (case filed 09/11/03). One individual suing.

WASHINGTON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-10575 CIDL, Circuit Court of the 7th Judicial Circuit, Florida, Volusia County (case filed 9/16/97). Two individuals suing.

WELLS V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 02 21340 CA 30, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 8/22/02). One individual 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, Florida, Broward County (case filed 6/10/97). One individual suing.

ZARRELLA, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 0313947, Circuit Court of the 17th Judicial Circuit, Florida, Broward County (case filed 8/12/03). Two individuals 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, Illinois (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.

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. Trial date is scheduled for October 4, 2004.

MITCHELL, ESTATE OF LOREN H. ET AL. V. LIGGETT & MYERS, ET AL., Case No. C03-3025, USDC, State of Iowa, Northern District (case filed 3/18/03). Seven individuals suing.

WELCH, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LA CV 017535, District Court, Iowa, Shelby County (case filed 10/16/2000). 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.

HUNTER, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002/18748m District Court, Parish of Orleans, Louisiana. (12/4/2002) Two 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.

REESE, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2003-12761, 22nd Judicial District Court, Louisiana, St. Tammany (case filed 6/10/03). Five individuals suing.

BATEMAN, PERRY V. A C AND S INC., ET AL., Case No. 24-X-02-001595, Circuit Court, Maryland, Baltimore City. One individuals suing.

BARBE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-001362, Circuit Court, Maryland, Baltimore City (6/7/02). Two individuals suing.

BECKER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-99-002152, Circuit Court, Maryland, Baltimore City (case filed 10/22/99). Two individuals suing.

BENNETT, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000192, Circuit Court, Maryland, Baltimore City (case filed 1/25/02). Two individuals suing.

BIEDRZYCKI, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-98-149503, Circuit Court, Maryland, Baltimore City (case filed 5/29/98). Two individuals suing.

BISIGNANI, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-97-010510, Circuit Court, Maryland, Baltimore City (case filed 1/10/97). Two individuals suing.

BOYD, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-00-000305,

Circuit Court, Maryland, Baltimore City (case filed 4/21/00). Two individuals suing.

BUTTA, GLORIA, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002559, Circuit Court, Maryland, Baltimore City (case filed 11/22/02). Four 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.

CARNES, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-98-028535, Circuit Court, Maryland, Baltimore City. Two individuals suing

CASPER AL. V. A C AND S ET AL., Case No. 24-X-01-001604, Circuit Court, Maryland, Baltimore City (case filed 10/22/01). Two individuals suing

CAVEY , ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-98-093530, Circuit Court, Maryland, Baltimore City. Two individuals suing

CITRANO, ET AL. V. A C AND S INC., ET AL. , Case No.24-X-02-001513, Circuit Court, Maryland, Baltimore City (case filed 6/24/02). One individual suing.

CISSIN V. A C AND S INC., ET AL., Case No.24-X-01-000078, Circuit Court, Maryland, Baltimore City (case filed 01/17/01). One individual suing.

CHATHAM, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-01-000780, Circuit Court, Maryland, Baltimore City. Two individuals suing.

CONN, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000983, Circuit Court, Maryland, Baltimore City. Two individuals suing.

COYNE, ET AL. V. A C AND S INC., ET AL, Case No. 24-X-99-001004, Circuit Court, Maryland, Baltimore City (case filed 5/28/99). Four individuals suing.

CULBERTSON, ET AL. V. OWENS ILLINOIS GLASS CO.ET AL., Case No. 24-X-03-0002060, Circuit Court, Maryland, Baltimore City (case filed 2/14/03). One individual 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.

DOHLER, ET UX. V. OWENS -ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000451, Circuit Court, Maryland, Baltimore City (Case filed 4/25/03). Two individuals suing. -

DUNAJA, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000189, Circuit Court, Maryland, Baltimore City (case filed 2/10/03). Seven individuals suing.

EICHELBERGER, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000378, Circuit Court, Maryland, Baltimore City (case filed 4/11/03). Six individuals suing.

EIKENBERG, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-99-001782, Circuit Court, Maryland, Baltimore City (case filed 9/8/99). Two individuals suing.

ENGLE, WILLIAM, ET UX V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002162, Circuit Court, Maryland, Baltimore City (case filed 9/27/02). Two individuals suing.

EVERSON, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-219536, Circuit Court, Maryland, Baltimore City (case filed 8/7/98). Two individuals suing.

FAIR, JOYCE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-219540, Circuit Court, Maryland, Baltimore City (case filed 8/7/98). Six individuals suing.

FAZENBAKER, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000137, Circuit Court, Maryland, Baltimore City (case filed 1/31/03). One individual suing.

FIORENZA, ET AL. V. OWENS -ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002448, Circuit Court, Maryland, Baltimore City (case filed 11/6/02). Two individuals suing.

FRITZ, ET UX V. A C AND S INC., ET AL, Case No. 24-X-02-000825, Circuit Court, Maryland, Baltimore City (case filed 4/5/02). 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.

GERVASI, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-020506, Circuit Court, Maryland, Baltimore City (case filed 1/20/98). Two individuals suing.

GRANT, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-00-001432, Circuit Court, Maryland, Baltimore City (case filed 12/1/00). Two individuals suing.

GROSE, V. A C AND S INC., ET AL., Case No. 24-X-99-002199, Circuit Court, Maryland, Baltimore City (10/29/99). One individual suing.

HAIRSINE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-289544, Circuit Court, Maryland, Baltimore City (case filed 10/16/98). Two individuals suing.

HAJINICOLAS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000829, Circuit Court, Maryland, Baltimore City (case filed 4/5/02). Two individuals suing.

HARPER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-289543, Circuit Court, Maryland, Baltimore City (case filed 10/16/98). Two individuals suing.

HARRIS, ET AL. V. OWENS ILLINOIS GLASS CO. INC., ET AL., Case No. 24-X-02-002656, Circuit Court, Maryland, Baltimore City (case filed 12/6/02). One individual suing.

HEMPFIELD, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000055, Circuit Court, Maryland, Baltimore City (case filed 1/17/03). Two individuals suing.

HENN, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-00-001374, Circuit Court, Maryland, Baltimore City (case filed 11/22/00). Two individuals suing.

HILL V. A C AND S INC., ET AL., Case No. 24-X-02-000957, Circuit Court, Maryland, Baltimore City (case filed 4/12/02). One individual suing.

HILL, THELMA C., ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000143, Circuit Court, Maryland, Baltimore City. Two individuals suing.

HOLMES, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-90-264509, Circuit Court, Maryland, Baltimore City. One individual suing.

HUFFMAN, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-90-358501, Circuit Court, Maryland, Baltimore City (6/18/90). Two individuals suing

HUNCHER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-97-353534, Circuit Court, Maryland, Baltimore City (case filed 12/19/97). 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.

IRELAND, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-002493, Circuit Court, Maryland, Baltimore City (11/15/02). Five individuals suing.

JACOB, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000931, Circuit Court, Maryland, Baltimore City (case filed 4/12/02). Four individuals suing.

JAGODZINSKI, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-001365, Circuit Court, Maryland, Baltimore City (6/7/02). Three individuals suing.

JAMES, ET AL. V. OWENS CORNING FIBERGLAS CORP., ET AL., Case No. 24-X-98-072526, Circuit Court, Maryland, Baltimore City (case filed 03/13/98). Two individuals suing.

JENNETTE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-135533, Circuit Court, Maryland, Baltimore City (case filed 5/15/98). Four 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, H, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-00-000061, Circuit Court, Maryland, Baltimore City (case filed 1/27/00). Two individuals suing.

JONES, W, ET UX. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002649, Circuit Court, Maryland, Baltimore City (case filed 12/6/02). One individual suing.

JORDON, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X95-055503, Circuit Court, Maryland, Baltimore City. Three individuals suing.

LANG, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002564, Circuit Court, Maryland, Baltimore City (11/22/02). Three individuals suing.

LEGRAND, ET UX. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000986, Circuit Court, Maryland, Baltimore City. Two individuals suing.

LEWIS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-01-001906, Circuit Court, Maryland, Baltimore City (11/29/01). Two individuals suing.

MACKENZIE, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-98-341506, Circuit Court, Maryland, Baltimore City (case filed 12/7/98). Two individuals suing.

MARSHALL, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-89-188528, Circuit Court, Maryland, Baltimore City. Two individuals suing.

MASIMORE V. A C AND S INC., ET AL., Case No. 24-X-01-000578, Circuit Court, Maryland, Baltimore City (case filed 04/19/01). One individual 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.

MCCORMICK, ROSE, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000260, Circuit Court, Maryland, Baltimore City (case filed 3/7/03). Two individuals suing.

MCCOY, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-001436, Circuit Court, Maryland, Baltimore City (case filed 6/14/02). Five individuals suing.

MCCLUNG, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000743, Circuit Court, Maryland, Baltimore City (case filed 6/20/03). Two individuals suing.

MCDERMOTT, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case

No. 24-X-97-045522, Circuit Court, Maryland, Baltimore City (case filed 9/8/00). One individual suing.

NIELSEN, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-00-000479, Circuit Court, Maryland, Baltimore City (case filed 5/16/00). Two individuals suing.

PARTON, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000063, Circuit Court, Maryland, Baltimore City (case filed 1/17/03). Seven individuals suing.

PIERCE, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-98-219529, Circuit Court, Maryland, Baltimore City. Two individuals suing.

PIERCY, ET AL. V. OWENS- ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002314, Circuit Court, Maryland, Baltimore City (case filed 10/11/02). Two individuals suing.

POMPA, ET AL. V. OWENS CORNING FIBERGLAS, ET AL., Case No. 24-X-98-072505, Circuit Court, Maryland, Baltimore City (case filed 3/13/98). One individual suing.

PRESSLEY V. A C AND S INC., ET AL., Case No. 24-X-02-002682, Circuit Court, Maryland, Baltimore City (case filed 12/13/02). One individual suing.

PRICE, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-001058, Circuit Court, Maryland, Baltimore City. Two individuals suing.

PUSINSKY, ET AL., V. A C AND S INC., ET AL., Case No. 24-X-99-000929, Circuit Court, Maryland, Baltimore City (case filed 5/21/99). Two individuals suing.

RHOADES, ET UX. V. QUIGLEY COMPANY, INC., ET AL., Case No. 24-X-04-000060, Circuit Court, Maryland, Baltimore City. Two individuals suing.

RIDGLEY, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000124, Circuit Court, Maryland, Baltimore City (case filed 1/31/03). Two individuals suing.

ROBERTS V. A C AND S INC., ET AL., Case No. 24-X-02-001161, Circuit Court, Maryland, Baltimore City (case filed 5/10/02). One individual suing.

ROLLINS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000748, Circuit Court, Maryland, Baltimore City (case filed 3/28/02). Two individuals suing.

RUSSELL, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-98-343501, Circuit Court, Maryland, Baltimore City (case filed 12/9/98). Two individuals suing.

RYAN, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-97-045529, Circuit Court, Maryland, Baltimore City. One individuals suing.

SASSLER, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X96341506, Circuit Court, Maryland, Baltimore City. Three individuals suing.

SAVOIE, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-001666, Circuit Court, Maryland, Baltimore City (7/25/2002). 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.

SMITH, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-01-000771, Circuit Court, Maryland, Baltimore City (case filed 5/25/01). Two individuals suing.

SMITH, K., ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000954, Circuit Court, Maryland, Baltimore City (case filed 4/12/02). Two individuals suing.

SPERANZELLA, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-99-002733, Circuit Court, Maryland, Baltimore City (case filed 12/22/99). One individual suing.

STUCHINSKI, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-02-000243, Circuit Court, Maryland, Baltimore City (case filed 1/31/02). Two individuals suing.

STRAUSBURG, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-135539, Circuit Court, Maryland, Baltimore City (case filed 5/15/98). Four individuals suing.

STOCKSTILL, ET AL. V. OWENS ILLINOIS GRACE COMPANY, ET AL., Case No. 24-X-03-000272, Circuit Court, Maryland, Baltimore City (case filed 3/7/03). Two 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.

TULL, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-01-000537, Circuit Court, Maryland, Baltimore City (case filed 4/11/01). Two individuals suing.

TURNER V. A C AND S INC., ET AL., Case No. 24-X-98-301502, Circuit Court, Maryland, Baltimore City. One individual suing.

TWINE V. A C AND S INC., ET AL., Case No. 24-X-02-000582, Circuit Court, Maryland, Baltimore City (3/8/02). One individual suing.

WALPOLE, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-02-002177, Circuit Court, Maryland, Baltimore City (case filed 9/27/02). Two individuals suing.

WALTER, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-91-310530,

Circuit Court, Maryland, Baltimore City. Two individuals suing.

WAUGH, ET AL. V. QUIGLEY COMPANY, INC., ET AL., Case No. 24-X-04-000209, Circuit Court, Maryland, Baltimore City. Four 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.

WILLIAMS, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-99-000113, Circuit Court, Maryland, Baltimore City (case filed 1/20/99). Two individuals suing.

WINKLER, ET AL. V. OWENS CORNING FIBERGLAS CORPORATION, ET AL., Case No. 24-X-98-402564, Circuit Court, Maryland, Baltimore City. Two individuals suing.

WITKOWSKI, ET AL. V. A C AND S INC., ET AL., Case No. 24-X-98-020519, Circuit Court, Maryland, Baltimore City (case filed 1/20/98). One individual suing.

WEST, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000970, Circuit Court, Maryland, Baltimore City. Five individuals suing.

WRIGHT, ET AL. V. OWENS ILLINOIS GLASS CO., ET AL., Case No. 24-X-03-000162, Circuit Court, Maryland, Baltimore City (case filed 1/31/03). Two individuals suing.

YOUNG, ET AL. V. OWENS CORNING FIBERGLASS CORPORATION, ET AL., Case No. 24-X-97-139547, Circuit Court, Maryland, Baltimore City (case filed 5/19/97). Two individuals 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, Massachusetts, Middlesex County. 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 individuals 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.

ANGELETHY, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 02-KV-0315-J,
Circuit Court, Mississippi, Adams County (case filed 4/21/03). Six
individuals suing.

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). 224 individuals suing.

CHAMBLISS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No.
2001-273, Circuit Court, Mississippi, George County (case filed
12/21/01). Four individuals suing.

COCHRAN, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2002-0366(3),
Circuit Court, Mississippi, George County (case filed 12/31/02). One
individual 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.

DOSS, ESTATE OF ED , 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.

FISCHER, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No.
02-0196, Circuit Court, Mississippi, Wilkinson County (case filed
4/29/03). Five individuals suing.

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.

GLASS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-338, Circuit Court, Mississippi, Jefferson County (case filed 12/20/02). 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 4/25/02). Three individuals suing.

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.

HARRIS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-853, Chancery Court, Mississippi, Adams County (case filed 4/21/03). Six 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.

HOLMES, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-424, Chancery Court, Mississippi, Copiah County (case filed 9/11/02). Five individuals suing.

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.

KELLY, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2002-404, Circuit Court, Mississippi, Claiborne County. Seven 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.

MCDUGEL, 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.

MITCHELL, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-392, Chancery Court, Mississippi, Adams County (case filed 05/28/02). Three individuals suing.

MURPHY, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-390, Chancery Court, Mississippi, Adams County (case filed 05/28/02). Three individuals suing.

PILGRAM, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. G2002-2374W/4, Chancery Court, Mississippi, Hinds County (case filed 12/30/02). Eighteen individuals suing.

SMITH, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-391, Chancery Court, Mississippi, Adams County (case filed 05/28/02). Three 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.

STEVENS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 03-KV-0055-J, Circuit Court, Mississippi, Adams County (case filed 4/30/03). One individual suing.

WALTERS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2002-845, Chancery Court, Mississippi, Adams County (case filed 12/31/02). Thirteen 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.

ALEXANDER, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. 03-CV-202909, Circuit Court, Missouri, Jackson County (case filed 5/21/03). Nineteen 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.

MATTERN, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. 032-09705, Circuit Court, 22nd Judicial Circuit, Missouri, St. Louis City (case filed 9/5/03) Two individuals suing. Plaintiff has dismissed all defendants except Liggett.

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.

GODFREY, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. A467043, 8th District Court, Nevada, Clark County (case filed 5/1/03). Two individuals.

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.

HAINES, SUSAN V. LIGGETT GROUP INC., ET AL., Case No. C 6568-96B, USDC, District of New Jersey (case filed 2/2/94). One individual suing. Liggett is the only defendant. The case was settled in February 2004. The settlement will not have a material affect on Liggett's financial condition, results of operations or cash flows.

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.

ALVAREZ V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102872/02, Supreme Court of New York, New York County. Individual suing.

BRANTLEY V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 114317/01, Supreme Court of New York, New York County. Individual 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.

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.

CAPLAN V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 103035/02, Supreme Court of New York, New York County. Individual suing.

CRESCENZO V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102817/02, Supreme Court of New York, New York County. Individual 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.

DAVEY V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102816/02, Supreme Court of New York, New York County. Individual suing.

DEBOBES V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 29544/92, Supreme Court of New York, Nassau County. 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.

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.

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.

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.

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.

HOBART V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102869/02, Supreme Court of New York, New York County. Individual suing.

HOCHMAN V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102860/02, Supreme Court of New York, New York County. Individual suing.

JAMES V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 103034/02, Supreme Court of New York, New York County. Individual suing.

KENNY, ET AL. V. PHILIP MORRIS USA, ET AL., Case No. 111486/01, Supreme Court, New York, New York County. Two 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.

LABRIOLA, 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.

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.

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.

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.

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.

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.

MAIO V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102867/02, Supreme Court of New York, New York County. Individual suing.

MARIANI V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102789/02, Supreme Court of New York, New York County. Individual 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.

MCCORMACK V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102864/02, Supreme Court of New York, New York County. Individual 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.

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.

OBERT V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 108428/98, Supreme Court of New York, New York County. Individual suing.

PINTABONA V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102877/02, Supreme Court of New York, New York County. Individual suing.

PRIEST V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102812/02, Supreme Court of New York, New York County. Individual 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.

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.

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.

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.

SHEA, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102863/02, Supreme Court of New York, New York County. 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.

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). 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.

YUEN V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 102861/02, Supreme Court of New York, New York County. Individual 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.

AYALA, THE ESTATE OF, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2175(VJ/PG), USDC, District of Puerto Rico, Puerto Rico (case filed 8/8/02). Five individuals suing.

CABRERA, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 03-207, USDC, District of Puerto Rico, Puerto Rico (case filed 10/7/03). Three individuals suing.

CRUZ, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2507(RLA), USDC, District of Puerto Rico, Puerto Rico (case filed 10/7/02). Twenty-three individuals suing.

DE JESUS DIAZ, ET AL. V. PHILIP MORRIS INC, ET AL., Case No. 03-1900, USDC, District of Puerto Rico, Puerto Rico (case filed 8/21/03). Two Hundred Sixty-Six individuals suing.

DE JESUS RIVERA, ET AL. V. R. J. REYNOLDS TOBACCO, ET AL., Case No. 03-1099, USDC, District of Puerto Rico, Puerto Rico (case filed 01/03/03). Twelve individuals suing.

LINDER, ET AL. V. LIGGETT MYERS, ET AL., Case No. 02-2435, USDC, District of Puerto Rico, Puerto Rico (case filed 1/3/03). Two individuals suing.

LOPEZ, THE ESTATE OF, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2173(RLA), USDC, District of Puerto Rico, Puerto Rico (case filed 8/8/02). Nine individuals suing.

LOPEZ, ISABEL QUINTANA, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 03-2048, USDC, District of Puerto Rico, Puerto Rico (case filed 9/26/03). Two individuals suing.

MARTINEZ, THE ESTATE OF, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2171 (HL), USDC, District of Puerto Rico, Puerto Rico (case filed 8/8/02). Six individuals suing.

PANDAL, THE ESTATE OF, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 03-1642 (SEC), USDC, District of Puerto Rico, Puerto Rico (case filed 6/9/03). Five individuals suing.

REYES, THE ESTATE OF , ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2174(SEC), USDC, District of Puerto Rico, Puerto Rico (case filed 8/8/02). Ten individuals suing.

RODRIGUEZ-TORRES, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 03-1644 (SEC), USDC, District of Puerto Rico (case filed 6/10/03). Eight individuals suing.

RUIZ DIAZ, ET AL., V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 03-1003 JAG, USDC, District of Puerto Rico (case filed 1/3/03). Eight individuals suing.

VELEZ, THE ESTATE OF, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 02-2172(JAG), USDC, District of Puerto Rico, Puerto Rico (case filed 8/8/02). Twelve individuals suing.

VELEZ, MARIBEL ARTURET, V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 03-2049, USDC, District of Puerto Rico, Puerto Rico (case filed 9/28/03). One Individual 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.

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.

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.

BREWER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-C-82, Circuit Court, West Virginia, Ohio County. Two individuals suing.

IN RE TOBACCO PI (5000), Case NO. 00-C-5000, Circuit Court, West Virginia, Ohio County. Consolidating approximately 1,050 individual smoker actions which were pending prior to 2001. Liggett has been severed from the trial of the consolidated action.

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.

ROUSE, N. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 03-C-942, Circuit Court, West Virginia, Kanawha County (case filed 4/18/03). One individual suing. Liggett has not been served.

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.

VI. 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.

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.

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 Florida.

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. The court granted class certification in November 2001.

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.

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. Plaintiffs' motion for class certification was granted in April 2003. The defendants have appealed the court's decision.

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.