

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

JOINT CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): AUGUST 29, 1997

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

1-5759
(Commission File Number)

51-0255124
(I.R.S. Employer Identification No.)

DELAWARE
(State or other jurisdiction of incorporation
or organization)

100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
(Address of principal executive offices including
Zip Code)

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

(NOT APPLICABLE)
(Former name or former address,
if changed since last report)

BGLS INC.
(Exact name of registrant as specified in its charter)

33-93576
(Commission File Number)

13-3593483
(I.R.S. Employer Identification No.)

DELAWARE
(State or other jurisdiction of incorporation
or organization)

100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
(Address of principal executive offices including
Zip Code)

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

(NOT APPLICABLE)
(Former name or former address,
if changed since last report)

ITEM 5. OTHER EVENTS.

On August 29, 1997, Brooke Group Ltd. issued a press release, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference. The press release related, among other things, to the execution by BGLS Inc. of a Standstill Agreement and Consent, a copy of which is attached hereto as Exhibit 99.2 and incorporated herein by reference, with the principal holders of BGLS Inc.'s 15.75% Senior Secured Notes due 2001.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

The following Exhibits are provided in accordance with the provisions of Item 601 of Regulation S-K and are filed herewith unless otherwise noted.

EXHIBIT INDEX

- 99.1 Press Release of Brooke Group Ltd. dated August 29, 1997.
- 99.2 Standstill Agreement and Consent, dated as of August 28, 1997, among BGLS Inc., AIF II, L.P., Artemis America Partnership, and Tortoise Corp.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BROOKE GROUP LTD.

By: /s/ JOSELYNN D. VAN SICLEN

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

BGLS INC.

By: /s/ JOSELYNN D. VAN SICLEN

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

Date: September 3, 1997

S A R D V E R B I N N E N & C O

NEWS

FOR IMMEDIATE RELEASE

Contact: George Sard/Anna Cordasco/Paul Caminiti
Sard Verbinnen & Co.
212/687 - 8080

LIGGETT GROUP MAKES INTEREST PAYMENT ON NOTES;
BROOKE GROUP CONTINUES TO NEGOTIATE BGLS NOTES

MIAMI, FL, AUGUST 29, 1997 -- Brooke Group Ltd. (NYSE: BGL) announced today that its wholly-owned subsidiary, Liggett Group Inc., has made the interest payment due on August 1, 1997 to the holders of Liggett's 11.50% Series B and Variable Rate (19.75%) Series C Senior Secured Notes due 1999. Payment had been postponed during negotiations with Liggett's noteholders concerning a potential restructuring of its Senior Secured Notes. However, no agreement with the Liggett noteholders was reached, and no further negotiations are currently planned.

Brooke also announced that its wholly-owned subsidiary, BGLS Inc., continues in negotiations with the holders of more than 83% of the \$232,864,000 principal amount of BGLS' 15.75% Senior Secured Notes due 2001 concerning the potential restructuring of the debt. BGLS has made the interest payment due on July 31, 1997 to all holders of the BGLS Notes other than such principal holders. Pending completion of the negotiations, the principal holders have agreed with BGLS that they will be entitled to receive their portion of the July 31, 1997 interest payment only after giving BGLS 20 days notice but in any event by November 30, 1997.

Brooke Group is a holding company which owns Liggett Group Inc. and controlling interests in Liggett-Ducat Ltd. and New Valley Corporation.

#

SARD VERBINNEN & CO., INC. 630 THIRD AVENUE NEW YORK, NY 10017
TEL 212 687 8080 FAX 212 687 8344

STANDSTILL AGREEMENT AND CONSENT

THIS STANDSTILL AGREEMENT AND CONSENT, dated as of August 28, 1997 among BGLS INC., a Delaware corporation (the "COMPANY"), AIF II, L.P., a Delaware limited partnership ("AIF II"), ARTEMIS AMERICA PARTNERSHIP, a Delaware partnership (as successor to Artemis America LLC, a Delaware limited liability company) ("ARTEMIS") and TORTOISE CORP., a New York corporation ("TORTOISE"; together with AIF II and Artemis, the "PARTICIPATING HOLDERS"). Capitalized terms not otherwise defined herein shall have the meanings specified in the Indenture (as defined below).

WHEREAS, pursuant to that certain Indenture dated as of January 1, 1996 (the "INDENTURE") between the Company and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts (the "TRUSTEE"), the Company issued the Series A Securities and the Series B Securities, of which only the Series B Securities remain outstanding;

WHEREAS, the Participating Holders (directly or through one or more nominees or custodians, as more fully described on Schedule 1 hereto) and certain other Holders (the "OTHER HOLDERS") (the Participating Holders and the Other Holders being collectively referred to herein as the "HOLDERS") own all of the outstanding Series B Securities;

WHEREAS, pursuant to Section 2.13 of the Indenture and the terms of the Series B Securities, interest on the Series B Securities was due to the Holders on July 31, 1997 in an aggregate amount of \$18,338,040, which amount was not paid as of such date (such amount, plus amounts owing thereon pursuant to Section 2.12 of the Indenture, the "JULY INTEREST AMOUNT");

WHEREAS, pursuant to Section 7.01(1) of the Indenture, the Company's default in the payment of the July Interest Amount, unless cured, will mature into an Event of Default on August 30, 1997;

WHEREAS, the Company has requested, and each of the Participating Holders has agreed, subject to the terms and conditions set forth in this Standstill Agreement and Consent, (i) to waive any Default or Event of Default existing solely as a result of the failure of the Company to pay to such Participating Holder its pro rata share of the July Interest Amount until such Participating Holder has delivered to the Company in writing a demand for such payment (a "JULY INTEREST AMOUNT DEMAND") and the Company has failed to make such payment within twenty days subsequent to the delivery to the Company of such demand (such failure, a "JULY INTEREST AMOUNT DEFAULT") and (ii) that it shall refrain from exercising its rights and remedies against the Company in connection with the Company's failure to pay such Participating Holder its pro rata share of the July Interest Amount until the occurrence of a July Interest Amount Default;

STANDSTILL AGREEMENT AND CONSENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreement of the parties hereinafter set forth, the parties hereto hereby agree as follows:

1. PAYMENT OF JULY INTEREST AMOUNT TO OTHER HOLDERS. The Company agrees that by no later than August 29, 1997 it shall pay to the Trustee for distribution to the Other Holders cash in an amount necessary to cause the Other Holders' pro rata portion of the July Interest Amount to be paid in full in cash.

2. WAIVER OF DEFAULT. Conditioned upon the Company making the payment required pursuant to Section 1, each of the Participating Holders hereby waives any Default or Event of Default existing solely as a result of the Company's failure to pay to such Participating Holder such Participating Holder's pro rata share of the July Interest Amount, until the occurrence of a July Interest Amount Default. The Company acknowledges that interest at the default rate shall continue to accrue pursuant to Section 2.12 of the Indenture on the July Interest Amount owed to the Participating Holders.

3. STANDSTILL. Each of the Participating Holders hereby agrees that prior to the occurrence of a July Interest Amount Default, it will not exercise and shall not direct the Trustee to exercise any remedy under the Indenture or the Series B Securities, at law or in equity, which it or the Trustee now has or hereafter may have in respect of any Default or Event of Default resulting solely from the failure of the Company to pay to such Participating Holder its pro rata share of the July Interest Amount. The Company hereby agrees that no grace periods set forth in the Indenture shall apply with respect to the occurrence and continuance of a July Interest Amount Default.

4. NOTICES.

(a) TO TRUSTEE AND DTC. Each of the Participating Holders shall upon execution of this Standstill Agreement and Consent (i) advise the Trustee that such Participating Holder has waived its right to be paid its pro rata share of the July Interest Amount from the cash payment made pursuant to Section 1 and has waived any Default or Event of Default existing as a result of its failure to receive its pro rata share of the July Interest Amount from the Company until the delivery to the Company of a July Interest Amount Demand by such Participating Holder and the failure of the Company to pay to such Participating Holder its pro rata share of the July Interest Amount within twenty days subsequent to the delivery to the Company of such July Interest Amount Demand, (ii) direct the Trustee to distribute to the Other Holders or The Depository Trust Company ("DTC") on behalf of the Other Holders by August 29, 1997 the portion of the cash delivered by the Company to the Trustee attributable to such Participating Holder's pro rata share of the July Interest Amount and (iii) direct DTC to distribute to the Other Holders for which DTC is the custodian by August 29, 1997, the portion of the July Interest Amount which would otherwise be distributed to such Participating Holder.

STANDSTILL AGREEMENT AND CONSENT

(b) TO PARTICIPATING HOLDERS. The Company hereby agrees that upon its receipt of a July Interest Amount Demand that it shall promptly, but in any event within three Business Days, provide notice in writing to each other Participating Holder and the Trustee of such Interest Amount Demand.

5. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THIS STANDSTILL AGREEMENT. This Standstill Agreement and Consent shall become effective upon the execution and delivery hereof by the Company and each of the Participating Holders.

6. COVENANTS. The Company hereby agrees that (in addition to the restrictions set forth in Section 4.03 of the Indenture) it shall not make any Restricted Payments in excess of \$1,500,000 in the aggregate until each Participating Holder has been paid its pro rata share of the July Interest Amount, plus all amounts owing thereon pursuant to Section 2.12 of the Indenture.

7. TERMINATION. This Standstill Agreement and Consent shall terminate automatically (except with respect to the provisions of Section 6) upon the earlier of (i) the occurrence of a July Interest Amount Default, (ii) the payment in full to each Participating Holder of its pro rata share of the July Interest Amount, plus all amounts owing thereon pursuant to Section 2.12 of the Indenture, (iii) the occurrence of an Event of Default (other than in connection with the July Interest Amount) and (iv) 5:00 p.m. eastern standard time on November 30, 1997.

8. ABSENCE OF WAIVER. The parties hereto agree that, except to the extent expressly set forth herein, nothing contained herein shall be deemed to:

(a) be a consent to, or waiver of, any Default or Event of Default;

(b) prejudice any right or remedy which any of the Participating Holders may now have or may in the future have under the Indenture, the Series B Securities or otherwise, including, without limitation, any right or remedy resulting from any Default or Event of Default; or

(c) constitute a waiver of the rights of any of the Participating Holders under Section 2.12 of the Indenture.

9. REPRESENTATIONS. Each party hereto hereby represents and warrants to the other parties that:

(a) such party is a corporation or partnership, as applicable, duly organized, validly existing, and in good standing under the laws of the state of its incorporation or formation, as applicable;

STANDSTILL AGREEMENT AND CONSENT

(b) the execution, delivery and performance of this Standstill Agreement and Consent by such party is within its corporate or partnership powers, as applicable, has been duly authorized by all necessary corporate or partnership action, as applicable, has received all necessary consents and approvals (if any shall be required), and does not and will not contravene or conflict with any provisions of law or of the charter or by-laws, or partnership agreement, as applicable, of such party or of any material agreement binding upon such party or its property; and

(c) upon its effectiveness under Section 5 hereof, this Standstill Agreement and Consent will be a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms.

In addition, the Company represents and warrants that to the best of its knowledge, except as set forth herein no Default or Event of Default under the Indenture has occurred and is continuing.

10. CONTINUING EFFECT, ETC. Except as expressly provided herein, the Company hereby agrees that the Indenture and the Series B Securities shall continue unchanged and in full force and effect, and all rights, powers and remedies of the Participating Holders thereunder and under applicable law are hereby expressly reserved.

11. EXPENSES AND INDEMNIFICATIONS.

(a) The Company hereby agrees to reimburse each of the Participating Holders for their reasonable attorneys fees and expenses incurred in connection with this Standstill Agreement.

(b) The Company agrees that an actual or threatened or potential claim, action, suit or proceeding against or affecting an Indemnatee (as defined in the Exchange Agreement dated as of November 21, 1995 among INTER ALIA the Company and the Participating Holders) that at any time results from, relates to or arises out of the execution, delivery or performance by the Participating Holders of this Standstill Agreement and Consent is deemed to be an Indemnification Event (as defined in the Exchange Agreement).

12. MISCELLANEOUS.

(a) Section headings used in this Standstill Agreement and Consent are for convenience of reference only and shall not affect the construction of this Standstill Agreement and Consent.

STANDSTILL AGREEMENT AND CONSENT

(b) This Standstill Agreement and Consent may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement.

(c) This Standstill Agreement and Consent shall be a contract made under and governed by the laws of the State of New York.

(d) All obligations of the Company and rights of the Participating Holders expressed herein shall be in addition to and not in limitation of those provided by applicable law.

(e) This Standstill Agreement and Consent shall be binding upon the Company, the Participating Holders and their respective successors and assigns, and shall inure to the benefit of the Company, the Participating Holders and their respective successors and assigns.

(f) All amendments or modifications of this Standstill Agreement and Consent and all consents, waivers and notices delivered hereunder or in connection herewith shall be in writing.

13. WAIVER OF JURY TRIAL. EACH OF THE COMPANY AND THE PARTICIPATING HOLDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS STANDSTILL AGREEMENT AND CONSENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES HERETO FURTHER AGREE THAT THIS AGREEMENT MAY BE FILED AS EVIDENCE OF THE WAIVER REFERRED TO ABOVE IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS STANDSTILL AGREEMENT AND CONSENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

STANDSTILL AGREEMENT AND CONSENT

IN WITNESS WHEREOF, the parties hereto have caused this Standstill Agreement and Consent to be executed by their duly authorized representatives as of the date first above written.

BGLS INC.

By /s/ Bennett S. LeBow

Name: Bennett S. LeBow
Title: Chairman and Chief Executive Officer

AIF II, L.P.

By APOLLO ADVISORS, L.P.
Managing General Partner

By APOLLO CAPITAL MANAGEMENT, INC.
General Partner

By /s/ Michael D. Weiner

Name: Michael D. Weiner
Title: Vice President

ARTEMIS AMERICA PARTNERSHIP

By LION ADVISORS, L.P.
Attorney-in-Fact

By LION CAPITAL MANAGEMENT, INC.
General Partner

By /s/ Michael D. Weiner

Name: Michael D. Weiner
Title: Vice President

STANDSTILL AGREEMENT AND CONSENT

TORTOISE CORP.

By /s/ Edward E. Mattner

Name: Edward E. Mattner
Title: President

STANDSTILL AGREEMENT AND CONSENT

ACKNOWLEDGED, AGREED & CONSENTED TO
WITH RESPECT TO SECTION 11(b):

BROOKE GROUP LTD.

By /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

STANDSTILL AGREEMENT AND CONSENT

SCHEDULE I

HOLDER -----	DTC PARTICIPANT (NO.) -----	PRINCIPAL AMOUNT (\$) OF SERIES B NOTES -----
Artemis America Partnership	The Bank of New York (901)	\$42,513,000
AIF II, L.P.	Chase Manhattan Bank, Trust (931)	\$54,726,000
Tortoise Corp.	Icahn & Co., Inc. (342)	\$ 3,972,000
	ING Baring (U.S.) Securities, Inc. (425)	\$60,875,000
	Chase Manhattan Bank/Chemical (930)	\$32,704,000

STANDSTILL AGREEMENT AND CONSENT
