

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): OCTOBER 1, 1999

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

DELAWARE  
(State or other jurisdiction of incorporation)

1-5759  
(Commission File Number)

65-0949535  
(I.R.S. Employer Identification No.)

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

33131  
(Zip Code)

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

(Former name or former address, if changed since last report)

\*Brooke Group Ltd. (the "Company"), a Delaware corporation which changed its name on October 1, 1999 from "BGL Successor Inc." to "Brooke Group Ltd.", is the successor of Brooke Group Holding Inc. (the "Predecessor"), a Delaware corporation which was incorporated on March 4, 1980 and which changed its name on October 1, 1999 from "Brooke Group Ltd." to "Brooke Group Holding Inc."

ITEM 5. OTHER EVENTS.

On October 1, 1999, pursuant to Section 251(g) of the Delaware General Corporation Law and the Agreement and Plan of Merger, dated as of September 30, 1999, by and among the Predecessor, the Company and BGL Merger Inc., an indirect wholly-owned Delaware subsidiary of the Company ("BGL Merger"), BGL Merger, merged (the "Merger") with and into the Predecessor, which was the surviving corporation in the Merger, and BGL Merger ceased to exist. Pursuant to the Merger, (i) each share of common stock, par value \$.01 per share, of BGL Merger issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time"), was converted into one share of common stock, par value \$.10 per share, of the Predecessor, (ii) each share of common stock, par value \$.10 per share, of the Predecessor issued and outstanding or held in its treasury immediately prior to the Effective Time was converted into one share of common stock, par value \$.10 per share, of the Company (the "Company Common Stock"), and (iii) each share of the Company Common Stock issued and outstanding immediately prior to the Effective Time was canceled.

In connection with the Merger, BGLS Inc. ("BGLS"), a subsidiary of the Predecessor, sold the stock of all of its direct wholly-owned subsidiaries, other than Liggett Group Inc., to BGLS Holding Inc. ("BGLS Holding"), a Delaware corporation which is a direct wholly-owned subsidiary of the Company. In consideration for such shares, BGLS transferred and assigned to the Company, and the Company assumed and agreed to perform and discharge, pursuant to a supplemental indenture, all of BGLS' obligations under the Indenture dated as of January 1, 1996 between BGLS and State Street Bank and Trust Company, as Trustee, pursuant to which BGLS had issued its 15.75% Series B Senior Secured Notes due 2001. In addition, BGLS Holding assumed all of BGLS' liability as plan sponsor of three pension plans.

As a result of the Merger, all the business and operations previously conducted by the Predecessor and its direct and indirect subsidiaries are now conducted by the Company and its direct and indirect subsidiaries. The assets and liabilities of the Company and its direct and indirect subsidiaries on a consolidated basis are the same as the assets and liabilities of the Predecessor and its direct and indirect subsidiaries immediately before the Merger. The Certificate of Incorporation and the Bylaws of the Company immediately after the Merger were identical to the Restated Certificate of Incorporation, as amended, and the Amended and Restated Bylaws of the Predecessor as in effect immediately prior to the Merger. The capital stock of the Company has the same designations, rights and preferences as the capital stock of the Predecessor immediately prior to the Merger. In addition, the persons who held offices as directors and officers of the Predecessor prior to the Merger hold the same offices in the Company after the Merger. The Company Common Stock is listed for trading on the NYSE

under the symbol "BGL", as was the common stock of the Predecessor. Stockholders of the Predecessor do not recognize gain or loss for U.S. Federal income tax purposes as a result of the Merger.

The conversion of shares in the Merger occurred without an exchange of certificates. Accordingly, certificates formerly representing shares of common stock of the Predecessor are deemed to represent shares of Company Common Stock.

Pursuant to Rule 12g-3 under the Securities Exchange Act of 1934 ("Act"), the Company Common Stock will be deemed to be registered pursuant to Section 12(b) of the Act.

ITEM 7. FINANCIAL STATEMENT AND EXHIBITS.

(c) Exhibits.

Exhibit No. -----	Description -----
2.1	Agreement and Plan of Merger, dated as of September 30, 1999, by and among the Predecessor, the Company and BGL Merger.
4.1	First Supplemental Indenture, dated as of September 30, 1999, to the Indenture, dated as of January 1, 1996, between BGLS, BGLS Holding and State Street Bank and Trust Company, as Trustee.
4.2	Amendment No. 1, dated as of September 30, 1999, to the Pledge and Security Agreement, dated as of January 1, 1996, between BGLS Holding, the Predecessor, BGLS and State Street Bank and Trust Company, as Trustee.
10.1	Purchase Agreement, dated as of September 30, 1999, between BGLS and BGLS Holding.
99.1	Press Release of the Company dated October 1, 1999 announcing the Merger.

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/ Richard J. Lampen

-----  
Richard J. Lampen  
Executive Vice President

Date: October 1, 1999

## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of September 30, 1999, by and among BGL Merger Inc., a Delaware corporation ("BGL Merger"), Brooke Group Ltd., a Delaware corporation ("BGL" or the "Surviving Corporation"), and BGL Successor Inc., a Delaware corporation ("Holding Company");

## W I T N E S S E T H:

WHEREAS, BGL wishes to reorganize its corporate structure into a holding company structure consisting of a publicly-traded holding company and wholly-owned direct and indirect subsidiaries of such holding company; and

WHEREAS, in connection with this reorganization: (i) BGL has formed Holding Company as a direct wholly-owned subsidiary of BGL; (ii) Holding Company has formed BGLS Holding Inc., a Delaware corporation ("BGLS Holding"), as a direct wholly-owned subsidiary of Holding Company; and (iii) BGLS Holding has formed BGL Merger as a direct wholly-owned subsidiary of BGLS Holding; and

WHEREAS, BGL intends to merge with BGL Merger pursuant to Section 251(g) of the Delaware General Corporation Law (the "DGCL"), with BGL as the survivor of such merger, and with stockholders of BGL receiving shares of Holding Company in exchange for their shares in BGL; and

WHEREAS, as a result of such merger (the "Merger"), Holding Company would become a publicly traded holding company, and BGL would become an indirect wholly-owned subsidiary of Holding Company;

NOW, THEREFORE, in consideration and furtherance of the foregoing, the parties hereto agree as follows:

## ARTICLE I.

## THE MERGER

SECTION 1.1 MERGER OF BGL MERGER WITH BGL. Pursuant to Section 251(g) of the DGCL, and in accordance with and subject to the terms and conditions of this Agreement, at the Effective Time (as hereinafter defined) the following shall be deemed to occur simultaneously:

(a) BGL shall merge with BGL Merger, with BGL to be the surviving corporation of the Merger, such that as a result of the Merger, BGL shall become an indirect wholly-owned subsidiary of Holding Company;

(b) In connection with the Merger, the name of the Surviving Corporation shall become "Brooke Group Holding Inc.";

(c) The stockholders of BGL shall receive, in the manner set forth in Article IV hereof, shares of capital stock of Holding Company in exchange for their shares of capital stock of BGL, and as a result of such exchange shall become stockholders of Holding Company;

(d) In connection with the Merger, the Certificate of Incorporation of Holding Company shall be amended to change the name of the Holding Company to "Brooke Group Ltd.";

(e) The separate existence of BGL Merger as a Delaware corporation shall terminate, and at that time and to the fullest extent provided under the laws of the State of Delaware: (i) the Surviving Corporation shall, without further act or deed, possess all of the rights, privileges, powers and franchises of public and private nature, and be subject to all of the restrictions, disabilities and duties, of BGL Merger; (ii) the Surviving Corporation shall, without further act or deed, be vested with all property, real, personal and mixed, and all debts due to BGL Merger on whatever account; (iii) all property, rights, privileges, powers and franchises, and all and every other interest, of BGL Merger shall be the property of the Surviving Corporation; (iv) all rights of creditors and all liens upon any property of BGL Merger shall be preserved unimpaired, and all debts, liabilities and duties of BGL Merger shall attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it; and (v) the Merger shall have all such other effects as set forth in Section 259 of the DGCL;

(f) BGLS Holding, the sole stockholder of BGL Merger immediately prior to the Effective Time, will receive, in the manner set forth in Section 4.3 hereof, capital stock of the Surviving Corporation in exchange for the capital stock of BGL Merger held by it; and

(g) The shares of Holding Company held by the Surviving Corporation shall be canceled without payment of any consideration for such cancellation.

SECTION 1.2 EFFECTIVE TIME. The Merger shall be effective for all purposes at the time (the "Effective Time") (i) when all conditions precedent to the Merger set forth in Sections 3.1 and 3.2 hereof have been satisfied and (ii) when the Secretary or Assistant Secretary of the Surviving Corporation shall have certified this Agreement in the manner required by Section 251(g) of the DGCL and filed this Agreement as so certified with the Secretary of State of the State of Delaware in accordance with Section 103 of the DGCL.

## ARTICLE II.

## CONSTITUENT CORPORATIONS AND HOLDING COMPANY

## SECTION 2.1 BGL.

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

(b) CAPITALIZATION OF BGL. Immediately prior to the Effective Time, BGL will have authorized capital consisting of:

(i) 100,000,000 shares of Common Stock, \$.10 per share par value; and

(ii) 10,000,000 shares of Preferred Stock, \$1.00 per share par value.

(c) STOCK OPTIONS AND PLANS. BGL has entered into, adopted or is otherwise subject to certain agreements and arrangements, including warrants, stock grants, options and rights, and compensation plans and agreements, pursuant to which it is or may be obligated to issue additional shares of its capital stock (all such warrants, stock grants, options, rights, and compensation plans and agreements being referred to herein as the "Plans"). Each of the Plans permits the Merger and the transactions contemplated by Section 4.2 hereof. Copies of the Plans have been provided to Holding Company.

## SECTION 2.2 BGL MERGER.

(a) ORGANIZATION. BGL Merger is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) CAPITALIZATION OF BGL MERGER. BGL Merger has authorized capital consisting of 1,000 shares of Common Stock, \$.01 per share par value, 1,000 shares of which have been issued and are outstanding. BGL Merger has no options, warrants or other rights to purchase or convert any shares of its Common Stock pursuant to which it is obligated to issue or sell additional shares of its Common Stock.

(c) OWNERSHIP OF CAPITAL STOCK OF BGL MERGER. All of the issued and outstanding shares of Common Stock of BGL Merger are owned by BGLS Holding, a direct wholly-owned subsidiary of Holding Company.

## SECTION 2.3 HOLDING COMPANY.

(a) ORGANIZATION. Holding Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Certificate of Incorporation and Bylaws of Holding Company are, and immediately prior to the Effective Time will be, identical to the Restated Certificate of Incorporation, as amended, and the Amended and Restated Bylaws of BGL as in effect immediately prior to the Merger, except for such variations as are specifically required by and permitted pursuant to Section 251(g) of the DGCL.

(b) CAPITALIZATION OF HOLDING COMPANY. Holding Company has authorized capital consisting of:

- (i) 100,000,000 shares of Common Stock, \$.10 per share par value, 1,000 of which shares are issued and outstanding; and
- (ii) 10,000,000 shares of Preferred Stock, \$1.00 per share par value, none of which shares are issued and outstanding.

The Common Stock and the Preferred Stock of Holding Company have the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof, as the Common Stock and the Preferred Stock of BGL immediately prior to the Effective Time. Holding Company has no options, warrants or other rights to purchase or convert any shares of its Common Stock pursuant to which it is obligated to issue or sell additional shares of its Common Stock.

(c) OWNERSHIP OF CAPITAL STOCK OF HOLDING COMPANY. All of the issued and outstanding shares of Common Stock of Holding Company are owned by BGL.

## ARTICLE III.

## CONDITIONS PRECEDENT TO MERGER; TERMINATION OF AGREEMENT

SECTION 3.1 ACTION BY DIRECTORS. This Agreement shall be submitted for approval by the respective Boards of Directors of each of BGL Merger and BGL as required by Section 251(b) of the DGCL, and by the Board of Directors of the Holding Company. As required by Section 251(g) of the DGCL, any approval of the Merger by the Board of Directors of BGL shall include a determination by the Board of Directors of BGL that the stockholders of BGL shall not recognize a gain or loss for United States federal income tax purposes as a result of the Merger.

SECTION 3.2 ACTION BY STOCKHOLDERS. This Agreement has been approved by BGLS Holding, the sole stockholder of BGL Merger, as required by Section 251(c) of the DGCL. Pursuant to Section 251(g) of the DGCL, this Agreement is not required to be approved by, and shall not be submitted for approval to, the stockholders of BGL or of Holding Company.

SECTION 3.3 FILING OF CERTIFIED AGREEMENT. Upon satisfaction of all conditions precedent set forth in Sections 3.1 and 3.2 hereof, the Secretary or Assistant Secretary of the Surviving Corporation shall certify this Agreement in the manner required by Section 251(g) of the DGCL and shall file this Agreement as so certified with the Secretary of State of the State of Delaware in accordance with Section 103 of the DGCL.

SECTION 3.4 EXPENSES. BGL shall bear all expenses associated with the consummation of this Merger.

SECTION 3.5 TERMINATION. At any time prior to the Effective Time, this Agreement may be terminated and the Merger abandoned by BGL by appropriate resolution of BGL's Board of Directors.

#### ARTICLE IV.

##### CONVERSION OF SHARES OF CONSTITUENT CORPORATIONS

SECTION 4.1 CONVERSION OF OUTSTANDING SHARES OF COMMON STOCK OF BGL. At the Effective Time, each share or fraction of a share of Common Stock of BGL that is issued and outstanding or held in its treasury immediately prior to the Effective Time shall, without further act or deed by BGL or its stockholders, be converted into and exchanged for a share or equal fraction of a share of Common Stock of Holding Company. Shares of Common Stock of Holding Company into which shares of Common Stock of BGL are so converted shall be represented by stock certificates previously representing shares of Common Stock of BGL.

SECTION 4.2 ASSUMPTION OF BGL OBLIGATIONS TO ISSUE CAPITAL STOCK. Immediately prior to the Effective Time, BGL was a party to or subject to certain agreements and arrangements, including warrants, stock grants, options and rights, and compensation plans and agreements, pursuant to which parties thereto or beneficiaries thereof acquired, or acquired certain rights to acquire, shares of capital stock of BGL, including but not limited to the Plans. As of the Effective Time, Holding Company shall adopt, assume and agree to be bound by each and every Plan, and any right to acquire a share or fraction of a share of capital stock of BGL under any such Plan shall, without further act or deed by BGL or its stockholders, be converted into a right to acquire a share or equal fraction of a share of capital stock of Holding Company pursuant to such Plan.

SECTION 4.3 SURRENDER AND CANCELLATION OF SHARES OF BGL MERGER. At the Effective Time, each share of Common Stock of BGL Merger that is issued and outstanding immediately prior to the Effective Time shall be converted into a share of Common Stock of the Surviving Corporation and the certificate(s) evidencing ownership of all issued and outstanding shares of Common Stock of BGL Merger shall be surrendered to the Secretary of the Surviving Corporation in exchange for shares of Common Stock of the Surviving Corporation into which they are converted pursuant to this Section 4.3.

SECTION 4.4 SURRENDER AND CANCELLATION OF BGL'S SHARES IN HOLDING COMPANY. At the Effective Time, BGL's 1,000 shares of Common Stock of Holding Company owned immediately prior to the Effective Time shall be canceled without payment of any consideration for such cancellation.

#### ARTICLE V.

##### OFFICERS AND DIRECTORS OF HOLDING COMPANY AND SURVIVING CORPORATION

SECTION 5.1 HOLDING COMPANY. The officers and directors of BGL holding office immediately prior to the Effective Time shall serve in the same capacities as the officers and directors of the Holding Company until the next annual meeting of stockholders of the Holding Company or until their successors shall have been elected and qualified.

SECTION 5.2 SURVIVING CORPORATION. The officers of BGL holding office immediately prior to the Effective Time shall serve in the same capacities as officers of the Surviving Corporation and Bennett S. LeBow and Richard J. Lampen shall serve as the sole directors of the Surviving Corporation until the next annual meeting of stockholders or until their successors have been elected and qualified.

#### ARTICLE VI.

##### ARTICLES OF INCORPORATION AND BYLAWS OF HOLDING COMPANY AND SURVIVING CORPORATION

SECTION 6.1 HOLDING COMPANY. The Certificate of Incorporation and Bylaws of Holding Company as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation and Bylaws of Holding Company following the Merger, provided that the Certificate of Incorporation shall be amended effective as of the Effective Time to change the name of Holding Company to "Brooke Group Ltd.".

SECTION 6.2 SURVIVING CORPORATION. The Restated Certificate of Incorporation, as amended, and the Amended and Restated Bylaws of BGL as in effect immediately prior to the Effective Time shall, pursuant to Section 251(g) of the DGCL, be the Certificate of Incorporation and Bylaws of the Surviving Corporation following the Merger; provided, however, that the Certificate of Incorporation of the Surviving Corporation shall be amended as set forth below:

(i) Article FIRST shall be amended in its entirety as follows:

"FIRST. The name of the Corporation is Brooke Group Holding Inc."

(ii) Article FOURTH shall be amended to read in its entirety as follows:

"FOURTH. The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 1,000 shares of Common Stock, \$.10 par value per share."

(iii) Article TWELFTH shall be added and shall read as follows:

"TWELFTH. Any act or transaction by or involving the Corporation that requires for its adoption the approval of its stockholders pursuant to the General Corporation Law of Delaware or the provisions of this Certificate of Incorporation, shall pursuant to Section 251(g) of the General Corporation Law of Delaware also require the approval of the stockholders of Brooke Group Ltd. (and any successor by merger) by the same vote as is required pursuant to the General Corporation Law of Delaware or the provisions of this Certificate of Incorporation, as the case may be."

IN WITNESS WHEREOF, each of BGL Merger, BGL and Holding Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the day and year first above written.

BROOKE GROUP LTD.

By: /s/ Joselynn D. Van Siclen  
-----  
Joselynn D. Van Siclen  
Vice President and Chief Financial Officer

BGL MERGER INC.

By: /s/ Richard J. Lampen  
-----  
Richard J. Lampen  
Executive Vice President

BGL SUCCESSOR INC.

By: /s/ Richard J. Lampen  
-----  
Richard J. Lampen  
Executive Vice President

## CERTIFICATE OF BROOKE GROUP LTD.

(UNDER SECTION 251 OF THE  
GENERAL CORPORATION LAW  
OF THE STATE OF DELAWARE)

The undersigned, being Assistant Secretary of Brooke Group Ltd., a corporation organized under the laws of the State of Delaware ("BGL"), hereby states that the Agreement and Plan of Merger to which this Certificate is attached, was adopted by BGL by action of its Board of Directors and without any vote of its stockholders pursuant to subsection (g) of Section 251 of the Delaware General Corporation Law (the "DGCL") and in accordance with such subsection, the undersigned hereby certifies as follows:

1. The Agreement and Plan of Merger has been adopted pursuant to subsection (g) of Section 251 of the DGCL; and
2. The conditions specified in the first sentence of subsection (g) of Section 251 of the DGCL have been satisfied.

IN WITNESS WHEREOF, this certificate has been subscribed this 30th day of September, 1999, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Brooke Group Ltd.

By: /s/ Richard J. Lampen

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Name: Richard J. Lampen  
Title: Executive Vice President  
and Assistant Secretary

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BGLS Inc.,  
COMPANY  
BGLS HOLDING INC.  
SUCCESSOR  
and  
STATE STREET BANK AND TRUST COMPANY,  
TRUSTEE

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FIRST SUPPLEMENTAL INDENTURE  
Dated as of September 30, 1999  
to  
INDENTURE  
Dated as of January 1, 1996

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\$232,869,000  
15.75% Series A Senior Secured Notes due 2001  
15.75% Series B Senior Secured Notes due 2001

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FIRST SUPPLEMENTAL INDENTURE dated as of September 30, 1999 among BGLS Holding Inc., a Delaware corporation (the "Successor") and the transferee of assets of BGLS Inc., a Delaware corporation (the "Company"), and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts, as successor Trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the respective meanings specified in the Indenture (as hereinafter defined).

#### RECITALS

WHEREAS, the Company and the Trustee have entered into the Indenture dated as of January 1, 1996 (as previously or hereafter amended and supplemented from time to time, and including the Exhibits thereto, the "Indenture"), relating to the Company's 15.75% Series A Senior Secured Notes due 2001 and 15.75% Series B Senior Secured Notes due 2001; and

WHEREAS, contemporaneously with the execution of this Supplemental Indenture, the Successor, a person controlled by Bennett S. LeBow, has acquired by sale substantially all of the assets of the Company other than the Equity Interests of Liggett; and

WHEREAS, Article Six of the Indenture permits such Disposition of Assets, subject to the fulfillment of certain conditions, including the assumption by the Successor of the obligations of the Company under the Securities and the Indenture; and

WHEREAS, Article Six provides for the release of the Company from its obligations under the Securities and the Indenture upon the assumption of such obligations by a successor; and

WHEREAS, the Successor, the Company and the Trustee desire to enter into this Supplemental Indenture to effect such assumptions and release; and

WHEREAS, Section 10.01(2) of the Indenture permits the amendment and supplementation of the Securities and the Indenture without notice to or consent of any Securityholder to comply with Article Six of the Indenture;

NOW, THEREFORE, the parties hereto agree as follows for the benefit of each other party and for the equal and ratable benefit of the Holders:

#### SECTION 1. ASSUMPTION AND RELEASE.

The Successor hereby expressly assumes all the obligations of the Company under the Securities and the Indenture. The Successor shall succeed to and be substituted for and may exercise every right and power of the Company with the same effect as if it had been named in the Securities and the Indenture as the Company; all references in the Securities and the Indenture to the Company shall be deemed to be references to the Successor. Upon such

assumption by the Successor of all of the obligations of the Company under the Securities and the Indenture, the Company shall be released from such obligations.

SECTION 2. GOVERNING LAW.

This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of law.

SECTION 3. DUPLICATE ORIGINALS.

All parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 4. SEVERABILITY.

In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Holder shall have no claim therefor against any party hereto.

SECTION 5. EFFECTIVENESS.

This Supplemental Indenture shall become effective as of its date upon its execution and delivery by each of the parties hereto.

SECTION 6. RATIFICATION.

This Supplemental Indenture is executed pursuant to Section 10.01(2) of the Indenture, and the terms and conditions hereof shall be and shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The Indenture, as supplemented by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed by the parties hereto.

SECTION 8. ACCEPTANCE OF TRUST.

The Trustee hereby accepts the trust in the Indenture declared and provided, upon the terms and conditions set forth in the Indenture, as amended by this Supplemental Indenture. The Trustee assumes no responsibility for the correctness of the recitals herein and makes no representation and shall have no responsibility as to the validity or the sufficiency of this Supplemental Indenture or the due authorization and execution hereof by the Successor or the Company.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be executed, and their respective corporate seals to be hereunto affixed and attested, all as of the date first above written.

BGLS Inc.

By: /s/ Richard J. Lampen  
-----  
Name: Richard J. Lampen  
Title: Executive Vice President

[ Seal ]

Attest: /s/ Marc N. Bell  
-----  
Secretary

BGLS HOLDING INC.

By: /s/ Richard J. Lampen  
-----  
Name: Richard J. Lampen  
Title: Executive Vice President

[ Seal ]

Attest: /s/ Marc N. Bell  
-----  
Secretary

STATE STREET BANK AND TRUST  
COMPANY,  
as successor Trustee

By: /s/ Alison Dellabella  
-----  
Name: Alison DellaBella  
Title: Assistant Vice President

[ Seal ]

Attest: /s/  
-----  
Secretary

## AMENDMENT NO. 1 TO THE PLEDGE AND SECURITY AGREEMENT

THIS AMENDMENT NO. 1 TO THE PLEDGE AND SECURITY AGREEMENT DATED AS OF JANUARY 1, 1996 (the "PLEDGE AGREEMENT") is entered into by and among BGLS Holding Inc., a Delaware corporation ("BGLS HOLDING"), Brooke Group Holding Inc., a Delaware corporation (formerly known as "Brooke Group Ltd.") ("BROOKE HOLDING") and BGLS Inc., a Delaware corporation ("BGLS"), and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts, as successor trustee (the "TRUSTEE") under the Indenture dated as of January 1, 1996, pursuant to which BGLS has issued its 15.75% Series A Senior Secured Notes due 2001 and its 15.75% Series B Senior Secured Notes due 2001 (each of which series is equal to and ratable with the other series).

SECTION 1. AMENDMENTS. The parties hereto hereby amend the Pledge Agreement as follows:

- A. A new sentence is added immediately following the preamble to read as follows:

As used herein the term "COMPANY" shall include (i) Brooke Holding with respect to Collateral pledged by Brooke Holding and (ii) BGLS Holding with respect to Collateral pledged by BGLS Holding.

- B. Section 1 of the Pledge Agreement is hereby amended by adding the following defined terms in their appropriate alphabetical locations:

"BGLS CONVERTIBLE SECURITIES" means any securities that are convertible into or exchangeable for Equity Interests of BGLS.

"BGLS STOCK PURCHASE RIGHTS" means any options, warrants or other rights to subscribe for or purchase or acquire any Equity Interests of BGLS or any BGLS Convertible Securities.

"BROOKE HOLDING CONVERTIBLE SECURITIES" means any securities that are convertible into or exchangeable for Equity Interests of Brooke Holding.

"BROOKE HOLDING STOCK PURCHASE RIGHTS" means any options, warrants or other rights to subscribe for or purchase or acquire any Equity Interests of Brooke Holding or any Brooke Holding Convertible Securities.

"INITIAL PLEDGED BGLS SHARES" means all Equity Interests of BGLS represented by the certificates identified in Annex 1 hereto.

"INITIAL PLEDGED BROOKE HOLDING SHARES" means all Equity Interests of Brooke Holding represented by the certificates identified in Annex 1 hereto.

- C. Section 2 of the Pledge Agreement is hereby further amended by adding the following representations and warranties and covenants:

As of September 30, 1999: (i) the Initial Pledged BGLS Shares are the only issued and outstanding shares of capital stock of BGLS and (ii) there are no issued and outstanding BGLS Convertible Securities or BGLS Stock Purchase Rights, and BGLS is not subject to any obligation, contingent or otherwise, to issue in the future any additional shares of its capital stock or any such BGLS Convertible Securities or BGLS Stock Purchase Rights;

The Initial Pledged BGLS Shares are duly authorized, validly issued, fully paid and nonassessable;

As of September 30, 1999: (i) the Initial Pledged Brooke Holding Shares are the only issued and outstanding shares of capital stock of Brooke Holding and (ii) there are no issued and outstanding Brooke Holding Convertible Securities or Brooke Holding Stock Purchase Rights, and Brooke Holding is not subject to any obligation, contingent or otherwise, to issue in the future any additional shares of its capital stock or any such Brooke Holding Convertible Securities or Brooke Holding Stock Purchase Rights;

The Initial Pledged Brooke Holding Shares are duly authorized, validly issued, fully paid and nonassessable;

- D. Each of Brooke Holding and BGLS Holding hereby makes the representations and warranties and covenants in Section 2 of the Pledge Agreement as of the date hereof to the extent relevant to the Collateral pledged by it.

E. Annex I to the Pledge Agreement is hereby deleted in its entirety and replaced with the following:

## ANNEX 1

PLEDGED STOCK  
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ISSUER -----	CERTIFICATE NOS. -----	PLEDGOR -----	NUMBER OF SHARES -----
New Valley Corporation	NV 1710	BGLS Holding Inc.	1,974 shares of common stock, par value \$.01 per share
New Valley Corporation	NV 1712	BGLS Holding Inc.	83,628 shares of common stock, par value \$.01 per share
New Valley Corporation	W 2096	BGLS Holding Inc.	5,924 Warrants to Purchase Common Shares
New Valley Corporation	W 2098	BGLS Holding Inc.	1,254,425 Warrants to Purchase Common Shares
Liggett Group, Inc.	1	BGLS Inc.	1,000 shares of common stock, par value \$.10 per share
New Valley Holdings, Inc.	1	BGLS Holding Inc	100 shares of common stock, par value \$.01 per share
Brooke (Over-seas) Ltd.	2	BGLS Holding Inc.	10 shares of common stock, par value \$.01 per share
Old CPI, Inc. (formerly known as COM Products Inc.)	2	BGLS Holding Inc.	100 shares of common stock, par value \$.01 per share
Brooke Group Holding Inc.	1	BGLS Holding Inc.	1,000 shares of common stock, par value \$.10 per share
BGLS Inc.	2	Brooke Group Holding Inc.	100 shares of common stock, par value \$.01 per share

SECTION 2. REFERENCES TO PLEDGE AGREEMENT. Except as herein provided, the Pledge Agreement shall remain unchanged and in full force and effect, and each direct reference to the Pledge Agreement and indirect references such as "hereunder", "hereby", "hereto", "herein" and "hereof" shall be deemed references to the Pledge Agreement as amended hereby.

SECTION 3. COUNTERPARTS. This Amendment No. 1 to the Pledge Agreement may be executed in any number of counterparts, each of which shall be identical and all of which, when taken together, shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment No. 1 to the Pledge Agreement by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to the Pledge Agreement to be duly executed and delivered as of September 30, 1999.

BGLS HOLDING INC.

By: /s/ Richard J. Lampen  
-----  
Name: Richard J. Lampen  
Title: Executive Vice President

BROOKE GROUP HOLDING INC.

By: /s/ Richard J. Lampen  
-----  
Name: Richard J. Lampen  
Title: Executive Vice President

BGLS INC.

By: /s/ Richard J. Lampen  
-----  
Name: Richard J. Lampen  
Title: Executive Vice President

STATE STREET BANK AND TRUST COMPANY, as Trustee

By: /s/ Alison Dellabella  
-----  
Name: Alison DellaBella  
Title: Assistant Vice President

## PURCHASE AGREEMENT

This PURCHASE AGREEMENT, dated as of September 30, 1999, is made and entered into by and between BGLS Holding Inc., a Delaware corporation ("PURCHASER"), and BGLS Inc., a Delaware corporation ("Seller"). Capitalized terms not otherwise defined herein have the meanings set forth in SECTION 4.01.

WHEREAS, the Purchaser is a direct wholly-owned subsidiary of Brooke Group Ltd. (the "Holding Company"), which changed its name on the date hereof from "BGL Successor Inc." to "Brooke Group Ltd." and is the successor of Brooke Group Holding Inc. (the "Predecessor"), a Delaware corporation which changed its name on the date hereof from "Brooke Group Ltd." to "Brooke Group Holding Inc."; and

WHEREAS, immediately prior to the consummation of the transactions contemplated by this Agreement, pursuant to Section 251(g) of the Delaware General Corporation Law and the Agreement and Plan of Merger, dated as of the date hereof, by and among the Predecessor, Holding Company and BGL Merger Inc., a wholly-owned subsidiary of the Purchaser ("BGL MERGER"), BGL Merger merged (the "MERGER") with and into the Predecessor, and Predecessor became a direct wholly-owned subsidiary of the Purchaser; and

WHEREAS, promptly following the consummation of the transactions contemplated by this Agreement, the Purchaser will change its name from "BGLS Holding Inc." to "BGLS Inc." and the Seller will change its name from "BGLS Inc." to "Old BGLS Inc."; and

WHEREAS, Seller, a direct wholly-owned subsidiary of Predecessor, owns (i) ten (10) shares of common stock of Brooke (Overseas) Ltd., a Delaware corporation ("BOL"), (ii) one hundred (100) shares of common stock of Old CPI, Inc., a Delaware corporation ("CPI"), and (iii) one hundred (100) shares of common stock of New Valley Holdings, Inc., a Delaware corporation ("NVH") and, together with BOL and CPI, the "COMPANIES"), together constituting all issued and outstanding shares of capital stock of the Companies (such shares collectively being referred to herein as the "SHARES"); and

WHEREAS, pursuant to a Pledge and Security Agreement dated as of January 1, 1996 (the "PLEDGE AGREEMENT") between the Seller and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts, as successor Trustee (the "TRUSTEE") under the Indenture dated as of January 1, 1996 (the "INDENTURE") between the Seller and the Trustee, the Seller has pledged all of the Shares to the Trustee to secure the Debt Obligations (as hereinafter defined); and

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, the Shares on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### ARTICLE I

##### SALE OF SHARES AND CLOSING

1.01 PURCHASE AND SALE. Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, all of the right, title and interest of Seller in and to the Shares at the Closing on the terms and subject to the conditions set forth in this Agreement.

1.02 CONSIDERATION. In consideration for the Shares, Seller shall transfer and assign to Purchaser, and Purchaser shall assume and agree to perform and discharge (i) pursuant to a Supplemental Indenture (the "SUPPLEMENTAL INDENTURE") and an Amendment to the Pledge Agreement (the "PLEDGE AGREEMENT Amendment"), all of Seller's obligations (the "DEBT OBLIGATIONS") under the Indenture, pursuant to which Seller has issued and outstanding Series B Senior Secured Notes due 2001 in the aggregate principal amount of approximately \$93,070,000 as of the date hereof, and is obligated to pay accrued interest equal to approximately \$30,941,000 as of the date hereof, and (ii) all of Seller's liability (the "PENSION LIABILITY") as Plan Sponsor of the Retirement Plan of Liggett Group Inc. for Salaried Non-Bargaining Unit Employees, Retirement Plan of Liggett Group Inc. for Bargaining Unit and Hourly Employees and the Special Pension Plan of Liggett Group Inc., pursuant to which Seller had a pension benefit liability of approximately \$8,700,000 as of the date hereof.

1.03 CLOSING. The Closing will take place at such place as Purchaser and Seller mutually agree, immediately following the effective time of the Merger. At the Closing, Purchaser will assume and agree to perform and discharge the Debt Obligations, pursuant to the Supplemental Indenture and the Pledge Agreement Amendment, and the Pension Liability. Simultaneously, Seller will assign and transfer to Purchaser all of Seller's right, title and interest in and to the Shares by delivering to Purchaser with respect to the Shares, duly executed stock powers endorsed in blank, with requisite stock transfer tax stamps, if any, attached. At or prior to the Closing, Seller shall deliver to the Trustee, pursuant to Section 6.01(4) of the Indenture, an Officers' Certificate and an Opinion of Counsel.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

2.01 ORGANIZATION OF SELLER. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Seller has full corporate power and authority to execute and deliver this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby, including without limitation to own, hold, sell and transfer the Shares pursuant to this Agreement.

2.02 AUTHORITY. The execution and delivery by Seller of this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment, and the performance by Seller of its obligations hereunder and thereunder, have been duly and validly authorized by the Board of Directors and the sole stockholder of Seller, no other corporate action on the part of Seller or its stockholder being necessary. This Agreement, the Supplemental Indenture and the Pledge Agreement Amendment have been duly and validly executed and delivered by Seller and constitute legal, valid and binding obligations of Seller enforceable against Seller in accordance with their terms.

2.03 ORGANIZATION OF THE COMPANIES. The Companies are corporations duly organized, validly existing and in good standing under the Laws of their respective jurisdictions of organization, and have full corporate power and authority to conduct their businesses as and to the extent now conducted and to own, use and lease their Assets and Properties.

## 2.04 CAPITAL STOCK.

(a) The authorized capital stock of BOL consists solely of one hundred (100) shares of common stock, par value \$.01 per share, 10 shares of which have been issued.

(b) The authorized capital stock of CPI consists solely of one hundred (100) shares of common stock, par value \$.01 per share, 100 shares of which have been issued.

(c) The authorized capital stock of NVH consists solely of one hundred (100) shares of common stock, par value \$.01 per share, 100 shares of which have been issued.

(d) The Shares are duly authorized, validly issued, outstanding, fully paid and nonassessable. Seller owns the Shares, beneficially and of record, free and clear of all Liens, other than under the Indenture and the Pledge Agreement. Except for this Agreement, there are no outstanding Options with respect to the Companies. The delivery at the Closing of stock powers with respect to the Shares, in the manner provided in SECTION 1.03, will transfer to

Purchaser good and valid title to the Shares, free and clear of all Liens, other than under the Indenture and the Pledge Agreement.

2.05 NO CONFLICTS. The execution and delivery by Seller of this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment do not, and the performance by Seller of its obligations under this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment and the consummation of the transactions contemplated hereby and thereby, will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the certificate of incorporation or bylaws (or other comparable corporate charter documents) of Seller, any Company or any Subsidiary;

(b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to Seller, any Company or any Subsidiary or any of their respective Assets and Properties; or

(c) (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require Seller, any Company or any Subsidiary to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments under, or (vi) result in the creation or imposition of any Lien upon Seller, any Company or any Subsidiary or any of their respective Assets and Properties under, any material Contract or License to which Seller, any Company or any Subsidiary is a party or by which any of their respective Assets and Properties is bound.

2.06 GOVERNMENTAL APPROVALS AND FILINGS. No consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority on the part of Seller, any Company or any Subsidiary is required in connection with the execution, delivery and performance of this Agreement, the Supplemental Indenture or the Pledge Agreement Amendment or the consummation of the transactions contemplated hereby or thereby.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

3.01 ORGANIZATION. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Purchaser has full corporate power and authority to execute and deliver this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

3.02 AUTHORITY. The execution and delivery by Purchaser of this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment, and the performance by Purchaser of its obligations hereunder and thereunder, have been duly and validly authorized by the Board of Directors of Purchaser, no other corporate action on the part of Purchaser or its stockholders being necessary. This Agreement, the Supplemental Indenture and the Pledge Agreement Amendment have been duly and validly executed and delivered by Purchaser and constitute legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms.

3.03 NO CONFLICTS. The execution and delivery by Purchaser of this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment do not, and the performance by Purchaser of its obligations under this Agreement, the Supplemental Indenture and the Pledge Agreement Amendment and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the certificate of incorporation or bylaws (or other comparable corporate charter document) of Purchaser;

(b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to Purchaser or any of its Assets and Properties; or

(c) (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require Purchaser to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, or (iv) result in the creation or imposition of any Lien upon Purchaser or any of its Assets or Properties under, any material Contract or License to which Purchaser is a party or by which any of its Assets and Properties is bound.

3.04 GOVERNMENTAL APPROVALS AND FILINGS. No consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority on the part of Purchaser is required in connection with the execution, delivery and performance of this Agreement, the Supplemental Indenture or the Pledge Agreement Amendment or the consummation of the transactions contemplated hereby or thereby.

#### ARTICLE IV

##### DEFINITIONS

4.01 DEFINITIONS. As used in this Agreement, the following defined terms have the meanings indicated below:

"AGREEMENT" means this Purchase Agreement, as the same shall be amended from time to time.

"ASSETS AND PROPERTIES" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned or leased by such Person, including without limitation cash, cash equivalents, investment assets, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods and intellectual property.

"BGL MERGER" has the meaning ascribed to it in the forepart of this Agreement.

"CLOSING" means the closing of the transactions contemplated by SECTION 1.03.

"COMPANIES" has the meaning ascribed to it in the forepart of this Agreement.

"CONTRACT" means any agreement, lease, license, evidence of indebtedness, mortgage, indenture, security agreement or other contract (whether written or oral).

"DEBT OBLIGATIONS" has the meaning ascribed to it in SECTION 1.02.

"GOVERNMENTAL OR REGULATORY AUTHORITY" means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision.

"INDENTURE" has the meaning ascribed to it in the forepart of this Agreement.

"LAWS" means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States, any foreign country or any

domestic or foreign state, county, city or other political subdivision or of any Governmental or Regulatory Authority.

"LICENSES" means all licenses, permits, certificates of authority, authorizations, approvals, registrations, franchises and similar consents granted or issued by any Governmental or Regulatory Authority.

"LIENS" means any mortgage, pledge, assessment, security interest, lease, lien, adverse claim, levy, charge or other encumbrance of any kind, or any conditional sale Contract, title retention Contract or other Contract to give any of the foregoing.

"MERGER" has the meaning ascribed to it in the forepart of this Agreement.

"OPTION" with respect to any Person means any security, right, subscription, warrant, option, "phantom" stock right or other Contract that gives the right to (i) purchase or otherwise receive or be issued any shares of capital stock of such Person or any security of any kind convertible into or exchangeable or exercisable for any shares of capital stock of such Person or (ii) receive or exercise any benefits or rights similar to any rights enjoyed by or accruing to the holder of shares of capital stock of such Person, including any rights to participate in the equity or income of such Person or to participate in or direct the election of any directors or officers of such Person or the manner in which any shares of capital stock of such Person are voted.

"ORDER" means any writ, judgment, decree, injunction or similar order of any Governmental or Regulatory Authority (in each such case whether preliminary or final).

"PENSION LIABILITY" has the meaning ascribed to it in SECTION 1.02.

"PERSON" means any natural person, corporation, general partnership, limited partnership, proprietorship, other business organization, trust, union, association or Governmental or Regulatory Authority.

"PLEDGE AGREEMENT" has the meaning ascribed to it in the forepart of this Agreement.

"PLEDGE AGREEMENT AMENDMENT" has the meaning ascribed to it in SECTION 1.02.

"PLEDGED SHARES" has the meaning ascribed to it in the forepart of this Agreement.

"PREDECESSOR" has the meaning ascribed to it in the forepart of this Agreement.

"PURCHASER" has the meaning ascribed to it in the forepart of this Agreement.

"SELLER" has the meaning ascribed to it in the forepart of this Agreement.

"SHARES" has the meaning ascribed to it in the forepart of this Agreement.

"SUBSIDIARY" means any Person in which any of the Companies, directly or indirectly through Subsidiaries or otherwise, beneficially owns more than fifty percent (50%) of either the equity interests in, or the voting control of, such Person.

"SUPPLEMENTAL INDENTURE" has the meaning ascribed to it in SECTION 1.02.

"TRUSTEE" has the meaning ascribed to it in the forepart of this Agreement.

ARTICLE V

MISCELLANEOUS

5.01 NOTICES. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to Purchaser, to:

BGLS Holding Inc.  
100 S.E. Second Street  
Miami, Florida 33131  
Facsimile No.: (305) 579-8001  
Attn: Bennett S. LeBow

If to Seller, to:

BGLS Inc.  
100 S.E. Second Street  
Miami, Florida 33131  
Facsimile No.: (305) 579-8001  
Attn: Bennett S. LeBow

with a copy to:

Milbank, Tweed, Hadley & McCloy  
1 Chase Manhattan Plaza  
New York, New York 10005  
Facsimile No.: (212) 530-5219  
Attn: Mark Weissler, Esq.

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section 5.01, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section 5.01, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this Section 5.01, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section 5.01). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

5.02 ENTIRE AGREEMENT. This Agreement, the Supplemental Indenture and the Pledge Agreement Amendment supersede all prior discussions and agreements between the parties with respect to the subject matter hereof and thereof, and contain the sole and entire agreement between the parties hereto with respect to the subject matter hereof and thereof.

5.03 WAIVER. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

5.04 AMENDMENT. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

5.05 NO THIRD PARTY BENEFICIARY. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person.

5.06 NO ASSIGNMENT; BINDING EFFECT. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party hereto and any attempt to do so will be void, except (a) for assignments and transfers by operation of Law and (b) that Purchaser may assign any or all of its

rights, interests and obligations hereunder to a wholly-owned subsidiary, provided that any such subsidiary agrees in writing to be bound by all of the terms, conditions and provisions contained herein. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and permitted assigns.

5.07 HEADINGS. The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

5.08 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York applicable to a Contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

5.09 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party hereto as of the date first above written.

BGLS HOLDING INC.

By: /s/ Richard J. Lampen

-----  
Name: Richard J. Lampen  
Title: Executive Vice President

BGLS INC.

By: /s/ Joselynn D. Van Siclen

-----  
Name: Joselynn D. Van Siclen  
Title: Vice President and Chief  
Financial Officer

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

NEWS

FOR IMMEDIATE RELEASE  
-----Contact: George Sard/Anna Cordasco/Paul Caminiti  
Sard Verbinnen & Co.  
212/687-8080BROOKE GROUP LTD.  
COMPLETES HOLDING COMPANY REORGANIZATION  
  
-----

MIAMI, FL, OCTOBER 1, 1999 -- Brooke Group Ltd. (NYSE: BGL) announced today that it has reorganized into a holding company form of organizational structure. The name of the new holding company will remain "Brooke Group Ltd." The new corporate structure will allow the Company to manage its entire organization more effectively and broadens the alternatives for future financing.

Stockholders do not have to take any action in connection with the change in corporate structure and will not need to exchange their existing share certificates. Outstanding shares of common stock have been automatically exchanged on a share-for-share, tax-free basis into shares of the new holding company. The new holding company will have the same certificate of incorporation, by-laws, executive officers and directors as those of the old Company. The new shares will have identical rights and terms as the old shares and will continue to be traded on the New York Stock Exchange under the symbol "BGL".

Brooke Group Ltd. 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