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Securities And Exchange Commission  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

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

DELAWARE  
(State or other jurisdiction of  
incorporation  
incorporation or organization)

1-5759  
Commission File Number

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

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

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

At November 13, 2001, Vector Group Ltd. had 31,665,753 shares of common  
stock outstanding.

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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)

	September 30, 2001	December 31, 2000
	-----	-----
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents .....	\$ 234,507	\$ 157,513
Investment securities available for sale .....	173,623	29,337
Trading securities owned by LTS .....	8,724	18,348
Accounts receivable - trade .....	15,937	9,748
Receivables from clearing brokers .....	17,717	10,126
Other receivables .....	1,257	1,669
Inventories .....	47,877	29,752
Restricted assets .....	2,627	4,489
Deferred income taxes .....	4,239	3,304
Other current assets .....	11,057	5,656
	-----	-----
<b>Total current assets</b> .....	<b>517,565</b>	<b>269,942</b>
Property, plant and equipment, net .....	85,582	48,539
Investment in real estate, net .....	110,605	120,272
Long-term investments, net .....	10,080	4,654
Restricted assets .....	6,176	3,060
Deferred income taxes .....	16,124	7,094
Goodwill .....	19,389	--
Other assets .....	32,408	8,414
	-----	-----
<b>Total assets</b> .....	<b>\$ 797,929</b>	<b>\$ 461,975</b>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
<b>Current liabilities:</b>		
Current portion of notes payable and long-term debt .....	\$ 5,650	\$ 17,850
Margin loans payable .....	2,647	4,675
Accounts payable .....	8,547	9,547
Securities sold, not yet purchased .....	2,283	3,570
Accrued promotional expenses .....	22,890	19,683
Accrued taxes payable .....	27,445	32,133
Deferred income taxes .....	2,438	2,587
Prepetition claims and restructuring accruals .....	5,315	10,229
Other accrued liabilities .....	59,724	38,501
	-----	-----
<b>Total current liabilities</b> .....	<b>136,939</b>	<b>138,775</b>
Notes payable, long-term debt and other obligations, less current portion	281,922	39,890
Noncurrent employee benefits .....	15,333	7,313
Deferred income taxes .....	135,728	129,887
Other liabilities .....	60,713	61,627
Minority interests .....	83,904	72,034
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
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 36,036,690 shares, outstanding 31,548,753 .....	3,155	2,567
Additional paid-in capital .....	280,029	184,807
Deficit .....	(181,589)	(148,789)
Accumulated other comprehensive income .....	556	1,337
Less: 4,487,937 shares of common stock in treasury, at cost .....	(18,761)	(27,473)
	-----	-----
<b>Total stockholders' equity</b> .....	<b>83,390</b>	<b>12,449</b>
	-----	-----
<b>Total liabilities and stockholders' equity</b> .....	<b>\$ 797,929</b>	<b>\$ 461,975</b>
	=====	=====

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		Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	Sept. 30, 2001	Sept. 30, 2000
Revenues:				
Tobacco*	\$ 193,881	\$ 167,123	\$ 511,550	\$ 501,915
Broker-dealer transactions	18,297	13,009	58,593	61,605
Real estate leasing	2,538	778	7,604	2,369
Total revenues	214,716	180,910	577,747	565,889
Expenses:				
Cost of goods sold*	68,391	58,862	165,774	213,004
Operating, selling, administrative and general expenses	137,737	114,696	386,878	325,610
Operating income	8,588	7,352	25,095	27,275
Other income (expenses):				
Interest and dividend income	3,558	3,833	7,777	7,015
Interest expense	(5,603)	(6,073)	(9,134)	(29,643)
Foreign currency gain	--	550	--	2,085
Income from joint venture	--	52,427	--	52,580
(Loss) gain on sale of investments, net	(804)	108	(51)	6,299
Sale of assets	665	193,779	2,187	193,929
Other, net	(823)	2,675	(672)	873
Income from continuing operations before provision for income taxes and minority interests	5,581	254,651	25,202	260,413
Provision for income taxes	3,391	76,539	13,410	78,853
Minority interests	5,179	(19,423)	9,099	(19,279)
Income from continuing operations	7,369	158,689	20,891	162,281
Gain on disposal of discontinued operations	--	--	828	--
Loss on extraordinary items	--	(2,422)	--	(2,652)
Net income	\$ 7,369	\$ 156,267	\$ 21,719	\$ 159,629
Per basic common share:				
Income from continuing operations	\$ 0.24	\$ 6.31	\$ 0.73	\$ 6.61
Gain from discontinued operations	--	--	\$ 0.03	--
Loss from extraordinary items	--	\$ (0.09)	--	\$ (0.11)
Net income applicable to common shares	\$ 0.24	\$ 6.22	\$ 0.76	\$ 6.50
Basic weighted average common shares outstanding	30,971,654	25,136,988	28,688,746	24,541,486
Per diluted common share:				
Income from continuing operations	\$ 0.20	\$ 5.31	\$ 0.60	\$ 5.54
Gain from discontinued operations	--	--	\$ 0.02	--
Loss from extraordinary items	--	\$ (0.08)	--	\$ (0.09)
Net income applicable to common shares	\$ 0.20	\$ 5.23	\$ 0.62	\$ 5.45
Diluted weighted average common shares outstanding	36,470,097	29,868,211	34,688,506	29,273,194

\* Tobacco revenues and Cost of goods sold include excise taxes of \$41,496, \$30,923, \$105,806 and \$88,084, respectively.

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



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

	Common Shares -----	Stock Amount -----	Additional Paid-In Capital -----	Deficit -----	Treasury Stock -----	Accumulated Other Comprehensive Income -----	Total -----
Balance, December 31, 2000 .....	25,667,018	\$2,567	\$ 184,807	\$(148,789)	\$(27,473)	\$ 1,337	\$ 12,449
Net income .....	--	--	--	21,719	--	--	21,719
Unrealized holding gain on investments, net of income tax .....	--	--	--	--	--	979	979
New Valley unrealized holding loss on investments, net of income tax .....	--	--	--	--	--	(2,017)	(2,017)
Effect of New Valley capital transactions .....	--	--	--	--	--	257	257
Total other comprehensive income ..	--	--	--	--	--	--	(781)
Total comprehensive income .....	--	--	--	--	--	--	20,938
Distributions on common stock .....	--	--	(34,024)	--	--	--	(34,024)
Effect of stock dividend .....	1,502,107	150	54,369	(54,519)	--	--	--
Effect of New Valley acquisition of LTS, net of income tax .....	--	--	5,509	--	--	--	5,509
Issuance of stock .....	1,669,344	167	41,974	--	7,859	--	50,000
Exercise of options and warrants .....	2,710,284	271	14,918	--	853	--	16,042
Tax benefit of option exercises .....	--	--	9,863	--	--	--	9,863
Effect of repurchase of New Valley common shares, net of income tax .....	--	--	193	--	--	--	193
Amortization of deferred compensation ...	--	--	2,420	--	--	--	2,420
Balance, September 30, 2001 .....	31,548,753	\$3,155	\$ 280,029	\$(181,589)	\$(18,761)	\$ 556	\$ 83,390
	=====	=====	=====	=====	=====	=====	=====

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)

	Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000
Net cash provided by (used in) operating activities.....	\$ 14,753	\$ (11,042)
Cash flows from investing activities:		
Capital expenditures.....	(49,790)	(26,636)
Proceeds from sale of businesses and assets, net.....	8,599	327,087
Sale or maturity of investment securities.....	10,634	35,561
Purchase of investment securities.....	(159,381)	(24,059)
Sale of long-term investments.....	1,133	-
Purchase of long-term investments.....	(5,747)	(2,358)
Purchase of real estate.....	(1,213)	(2,668)
Proceeds from sale of real estate.....	10,172	-
Decrease in restricted assets.....	1,306	3,477
Payment of prepetition claims.....	(2,634)	(363)
Investment in joint venture.....	-	(1,916)
Repurchase by New Valley of common shares.....	(274)	(954)
Cash acquired in acquisition of LTS.....	5,151	-
Purchase by New Valley of subsidiary common stock.....	(3,945)	-
Net cash (used in) provided by investing activities.....	(185,989)	307,171
Cash flows from financing activities:		
Proceeds from debt.....	268,970	29,133
Repayments of debt.....	(22,368)	(127,315)
Borrowings under revolvers.....	358,330	305,775
Repayments on revolvers.....	(377,704)	(287,066)
Deferred financing charges.....	(9,201)	-
Increase (decrease) in margin loan payable.....	(2,028)	5,212
Increase in cash overdraft.....	132	-
Proceeds (repayment) of participating loans and related amounts.....	2,478	(68,338)
Issuance of common stock.....	50,000	-
Proceeds from exercise of options and warrants.....	16,042	-
Expenses associated with the acquisition of LTS.....	(407)	-
Distributions on common stock.....	(34,024)	(20,249)
Payment to Ladenburg minority stock holder.....	(1,990)	-
Net cash provided by (used in) financing activities.....	248,230	(162,848)
Effect of exchange rate changes on cash and cash equivalents.....	-	(110)
Net increase in cash and cash equivalents.....	76,994	133,171
Cash and cash equivalents, beginning of period.....	157,513	20,123
Cash and cash equivalents, end of period.....	\$ 234,507	\$153,294
Supplemental non-cash investing and financing activities:		
Issuance of stock dividends.....	54,519	20,852

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. (formerly known as BGLS Inc.) ("VGR Holding"), Vector Tobacco, Inc. ("Vector Tobacco"), Liggett Group Inc. ("Liggett"), New Valley Corporation ("New Valley"), Brooke (Overseas) Ltd. ("Brooke (Overseas)"), through July 31, 2000 Liggett-Ducat Ltd. ("Liggett-Ducat"), and other less significant subsidiaries.

Vector Tobacco is engaged in the development and marketing of new, less hazardous cigarette products. Liggett is engaged in the manufacture and sale of cigarettes in the United States. Prior to its sale in August 2000, Liggett-Ducat was engaged in the manufacture and sale of cigarettes in Russia. New Valley is engaged primarily in the investment banking and brokerage business through its 53.6% ownership interest in Ladenburg Thalmann Financial Services Inc. and in the real estate business.

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, 2000, 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the near term include deferred tax assets, allowance for doubtful accounts, promotional accruals, sales returns and allowances, actuarial assumptions of pension plans and litigation and defense costs. Actual results could differ from those estimates.

(c) Reclassifications:

Certain amounts in the 2000 consolidated financial statements have been reclassified to conform to the 2001 presentation.



(d) Earnings Per Share:

Information concerning the Company's common stock has been adjusted to give effect to the 5% stock dividends paid to Company stockholders on September 28, 2000 and September 28, 2001. In connection with each stock dividend, the Company increased the number of warrants and stock options by 5% and reduced the exercise prices accordingly. All share amounts have been presented as if the stock dividends had occurred on January 1, 2000.

(e) Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income and is a component of stockholders' equity which includes such items as the Company's proportionate interest in New Valley's capital transactions, unrealized gains and losses on investment securities and minimum pension liability adjustments. Total comprehensive income was \$20,938 for the nine months ended September 30, 2001 and \$160,694 for the nine months ended September 30, 2000.

(f) New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Vector adopted SFAS No. 133 on January 1, 2001, the effect of which did not have a material impact on its balance sheet since Vector is not engaged in significant hedging activities.

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

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 requires that certain expenses included in operating, selling, administrative and general expenses be recorded as a reduction of operating revenues and will be effective in the first quarter of 2002. The Company is currently in the process of determining the impact of EITF Issue No. 00-25 which is expected to result in a significant reduction of revenues.

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

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

In October 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and requires (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently assessing the impact, if any, on the adoption of this statement.

2. PRO FORMA RESULTS

The following table presents unaudited pro forma results of operations as if the sale of Western Tobacco Investments, through which the Company held its equity interest in Liggett-Ducat, one of Russia's leading cigarette producers, New Valley's acquisition of Class A interests in Western Realty Development LLC (refer to Note 4) and the acquisition by a New Valley subsidiary of Ladenburg Thalmann Financial Services Inc. (refer to Note 3) had occurred immediately prior to January 1, 2000. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had these transactions been consummated as of such date.

	Three Months Ended Sept. 30, 2001 -----	Three Months Ended Sept. 30, 2000 -----	Nine Months Ended Sept. 30, 2001 -----	Nine Months Ended Sept. 30, 2000 -----
Revenues .....	\$214,716 =====	\$194,670 =====	\$596,649 =====	\$567,488 =====
Income from continuing operations .....	\$ 7,369 =====	\$ 4,091 =====	\$ 19,164 =====	\$ 18,850 =====
Income from continuing operations per diluted common share .....	\$ 0.20 =====	\$ 0.14 =====	\$ 0.55 =====	\$ 0.64 =====

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

3. NEW VALLEY CORPORATION

During 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 September 30, 2001, New Valley had repurchased 422,000 shares for approximately \$1,457. At September 30, 2001, the Company owned 56.3% of New Valley's Common Shares.

On May 7, 2001, GBI Capital Management Corp. ("GBI") acquired all of the outstanding common stock of New Valley's 80.1% subsidiary, Ladenburg Thalmann & Co. Inc. ("Ladenburg"), for 23,218,599 shares, \$10,000 cash and \$10,000 principal amount of senior convertible notes due December 31, 2005, and the name of GBI was changed to Ladenburg Thalmann Financial Services Inc. ("LTS"). The notes bear interest at 7.5% per annum and are convertible into 4,799,271 shares of LTS common stock. Upon closing, New Valley also acquired an additional 3,945,060 shares of LTS from the former Chairman of LTS for \$1.00 per share. Following completion of the transactions, New Valley owned 53.6% and 49.5% of the common stock of LTS, an American Stock Exchange-listed company, on a basic and fully-diluted basis, respectively.

To provide the funds for the acquisition of the common stock of Ladenburg, LTS borrowed \$10,000 from Frost-Nevada, Limited Partnership ("Frost-Nevada") and issued to Frost-Nevada \$10,000 principal amount of senior convertible notes due December 31, 2005. The notes bear interest at 8.5% per annum and are convertible into 6,497,475 shares of LTS common stock. These notes, together with the notes issued to the Ladenburg stockholders, are collateralized by a pledge of the Ladenburg stock. The notes are recorded on New Valley's balance sheet at September 30, 2001 at \$11,990 (net of the \$8,010 of notes issued to New Valley).

The actual number of shares of common stock may be further increased and the conversion prices of the senior convertible notes may be further decreased on or about May 7, 2003, pending a final resolution on LTS's pre-closing litigation adjustments.

The transaction has been accounted for under the purchase method of accounting as a reverse acquisition. For accounting purposes, Ladenburg has been treated as the acquirer of LTS as Ladenburg's stockholders held a majority of the LTS common stock following the closing of the transaction. As of May 7, 2001, LTS is accounted for as a consolidated subsidiary of New Valley.

Under the purchase method of accounting, the assets acquired and liabilities assumed were recorded at estimated fair values as determined by management based on information currently available and on current assumptions as to future operations. Goodwill of \$19,385 has been recognized for the amount of the excess of the purchase price paid over the fair market value of the net assets acquired and is amortized on the straight line basis over 20 years. The purchase price has been allocated to the individual assets acquired and liabilities assumed based upon preliminary estimates of fair value. The actual allocation may be different from preliminary allocation due to refinements in the estimate of the fair values of assets acquired and accrued liabilities assumed; however, such differences are not expected to be material.

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

The preliminary allocation of the purchase price has been summarized in the following tables:

Calculation of Purchase Price:

Common stock.....	\$32,912
Stock options.....	1,422
Transaction costs.....	407
	-----
Total purchase price	\$34,741
	=====

Preliminary Allocation of Purchase Price:

Assets:	
LTS' assets.....	\$ 26,619
Goodwill.....	19,385
Liabilities:	
LTS' liabilities.....	(11,263)
	-----
Total purchase price.....	\$ 34,741
	=====

Pro forma information giving effect to the acquisition as if it had occurred on January 1, 2000 is presented in Note 2.

4. INVESTMENT IN WESTERN REALTY

Western Realty Development LLC. In February 1998, New Valley and Apollo Real Estate Investment Fund III, L.P. ("Apollo") organized Western Realty Development LLC ("Western Realty Development") to make real estate and other investments in Russia. New Valley agreed to contribute the real estate assets of BrookeMil Ltd. ("BrookeMil"), a wholly-owned subsidiary of New Valley, including Ducat Place II and the site for Ducat Place III, to Western Realty Development and Apollo agreed to contribute up to \$72,021, including the investment in Western Realty Repin discussed below.

Western Realty Development has three classes of equity: Class A interests, representing 30% of the ownership of Western Realty Development, and Class B and Class C interests, which collectively represent 70% of the ownership of Western Realty Development. Prior to December 29, 2000, Apollo owned the Class A interests, New Valley owned the Class B interests and BrookeMil owned the Class C interests (subsequently transferred to New Valley). On December 29, 2000, WRD Holding Corporation ("WRD Holding"), a wholly-owned subsidiary of New Valley, purchased for \$4,000 29/30ths of the Class A interests of Western Realty Development previously held by Apollo. WRD Holding paid the purchase price of \$4,000 with a promissory note due November 30, 2005. The note, which is collateralized by a pledge of the purchased Class A interests, bears interest at a rate of 7% per annum, compounded annually; interest is payable to the extent of available cash flow from distributions from Western Realty Development. In addition, upon the maturity date of the note or, if earlier, upon the closing of various liquidity events, including sales of interests in or assets of, or a

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

business combination or financing involving, Western Realty Development, additional interest will be payable under the note. The additional interest would be in an amount equal to 30% of the excess, if any, of the proceeds from a liquidity event occurring prior to the maturity of the note or the appraised fair market value of Western Realty Development, at maturity, over \$13,750. The note is classified in other long-term liabilities in the consolidated balance sheet. Apollo and New Valley also agreed to loan Western Realty Development on an equal basis any additional funds required to pay off its existing indebtedness at an interest rate of 15% per annum.

As a result of the purchase of the Class A interests, New Valley no longer accounts for its interests in Western Realty Development using the equity method of accounting. Effective December 29, 2000, Western Realty Development became a consolidated subsidiary of New Valley.

Summarized financial information for the three and nine months ended September 30, 2000 for Western Realty Development follows:

	Three Months Ended September 30, 2000 -----	Nine Months Ended September 30, 2000 -----
Revenues.....	\$ 2,174	\$ 7,558
Costs and expenses.....	2,197	6,655
Other income.....	85,001	87,877
Net income.....	84,978	88,780

Western Realty Repin LLC. In June 1998, New Valley and Apollo organized Western Realty Repin to make a loan to BrookeMil. The proceeds of the loan have been used by BrookeMil for the acquisition and preliminary development of the Kremlin sites, two adjoining sites totaling 10.25 acres located in Moscow across the Moscow River from the Kremlin. The Kremlin sites are expected to be developed as a residential and hotel complex, subject to market conditions and the availability of financing. BrookeMil owned 100% of both sites at September 30, 2001.

Through September 30, 2001, Western Realty Repin has advanced \$41,425 to BrookeMil, of which \$29,015 was funded by Apollo and was classified in other long-term obligations in the consolidated balance sheet. The loan bears no fixed interest and is payable only to the extent BrookeMil receives distributions. Such distributions will be applied first to pay the principal of the loan and then as contingent participating interest on the loan. Any rights of payment on the loan are subordinate to the rights of all other creditors of BrookeMil. BrookeMil used a portion of the proceeds of the loan to repay New Valley for certain expenditures on the Kremlin sites previously incurred. The loan is due and payable upon the dissolution of BrookeMil and is collateralized by a pledge of New Valley's shares of BrookeMil.

As of September 30, 2001, BrookeMil had invested \$35,679 in the Kremlin sites and held \$1,199 in cash and receivables from an affiliate, both of which were restricted for future

VECTOR GROUP LTD.  
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investment in the Kremlin sites. In connection with the acquisition of a 34.8% interest in one of the Kremlin sites, BrookeMil agreed with the City of Moscow to invest an additional \$22,000 by May 2000 in the development of the property. In April 2000, Western Realty Repin arranged short-term financing to fund the investment. Under the terms of the investment, BrookeMil is required to utilize such financing amount to make construction expenditures on the site by June 2002. Failure to make the expenditures could result in forfeiture of the 34.8% interest in the site.

New Valley has accounted for the formation of Western Realty Repin as a financing by Apollo through a participating interest to be received from the Kremlin sites. Based on the distribution terms contained in the Western Realty Repin LLC agreement, the 20% annual rate of return preference to be received by Apollo on funds advanced to Western Realty Repin is treated as interest cost in the consolidated statement of operations to the extent of New Valley's net investment in the Kremlin sites. BrookeMil's historical cost in the Kremlin sites is \$36,878 at September 30, 2001 and the amount of the participating loan recorded in the consolidated balance sheet is \$38,605 at September 30, 2001. Pursuant to the terms of the participating loan, at September 30, 2001, New Valley would receive 37.5% of the first \$23,509 from a disposition of the Kremlin sites with the remaining 62.5% payable to Apollo, which is thereafter entitled to the remainder of the proceeds.

The development of Ducat Place III and the Kremlin sites will require significant amounts of debt and other financing. However, in light of the recent economic turmoil in Russia, there is a risk that financing will not be available on acceptable terms. Failure to obtain sufficient capital for the projects would force Western Realty Development and BrookeMil to curtail or delay the planned development of Ducat Place III and the Kremlin sites.

The Russian Federation continues to experience economic difficulties following the financial crisis of August 1998. The country's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of international lending organizations, and other actions, including regulatory and political developments, which are beyond the Company's control. In addition, laws and regulations affecting businesses operating within the Russian Federation continue to evolve.

The Company's assets and operations could be at risk if there are any further significant adverse changes in the political and business environment. Management is unable to predict what effect those uncertainties might have on the future financial position of the Company. No adjustments related to these uncertainties have been included in the accompanying consolidated financial statements.

Gallaher Group Plc has agreed to purchase from a subsidiary of BrookeMil land located outside Moscow, Russia for \$1,500. Final closing of the sale, scheduled for the fourth quarter of 2001, is subject to satisfaction of various regulatory requirements.

Subsequent Event:

In October 2001, New Valley agreed to sell the shares of BrookeMil to an unrelated third party for an aggregate purchase price of \$23,000 (before closing adjustments and expenses). The sole assets of BrookeMil at the time of sale would be the two Kremlin sites. New Valley would receive 37.5% of the net proceeds of the sale, with the remaining 62.5% payable to Apollo. Closing of the sale is

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subject to various conditions, and there is a substantial risk that the sale will not be completed. The Company may seek to dispose of other real estate holdings in the future.

5. INVESTMENT SECURITIES AVAILABLE FOR SALE

Investment securities classified as available for sale are carried at fair value, with net unrealized gains included as a component of stockholders' equity, net of minority interests. The Company had realized losses on sales of investment securities available for sale of \$804 and \$51 for the three and nine months ended September 30, 2001, and realized gains on sales of investment securities available for sale of \$108 and \$6,299 for the three and nine months ended September 30, 2000.

The components of investment securities available for sale at September 30, 2001 are as follows:

	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Marketable equity securities	\$ 24,262	\$ 2	\$(5,852)	\$ 18,412
Marketable debt securities .	151,129	1,517	--	152,646
Marketable warrants .....	--	2,565	--	2,565
	-----	-----	-----	-----
Investment securities .....	\$175,391	\$4,084	\$(5,852)	\$173,623
	=====	=====	=====	=====

6. INVENTORIES

Inventories consist of:

	September 30, 2001	December 31, 2000
	-----	-----
Leaf tobacco .....	\$ 18,987	\$ 7,911
Other raw materials .....	6,300	1,382
Work-in-process .....	1,522	2,156
Finished goods .....	18,141	18,924
Replacement parts and supplies	3,032	2,640
	-----	-----
Inventories at current cost ..	47,982	33,013
LIFO adjustments .....	(105)	(3,261)
	-----	-----
	\$ 47,877	\$ 29,752
	=====	=====

At September 30, 2001, the Company had leaf tobacco purchase commitments of approximately \$25,490.

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7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	September 30, 2001	December 31, 2000
	-----	-----
Land and improvements .....	\$ 1,560	\$ 1,670
Buildings .....	30,525	15,641
Machinery and equipment .....	91,656	71,741
	-----	-----
	123,741	89,052
Less accumulated depreciation	(38,159)	(40,513)
	-----	-----
	\$ 85,582	\$ 48,539
	=====	=====

In February 2001, Liggett sold a warehouse facility for \$2,000 in a sale-leaseback arrangement which resulted in a recognized gain of \$542 during the first quarter 2001. The remaining gain of \$1,139 will be amortized over the 15-year lease term, ending in October 2015. In July 2001, the facility's owners purchased an option to terminate the lease, resulting in an additional gain of \$1,000.

Also in February 2001, Liggett contracted to purchase production machinery for approximately \$16,300 denominated in foreign currencies. The first delivery of equipment occurred in October 2001 and was financed through a \$3,204 capital lease arrangement, guaranteed by the Company. The lease is payable in 60 monthly installments with interest calculated at the prime rate.

In July 2001, Liggett performed a like-kind exchange of equipment that resulted in a loss of \$516.

8. LONG-TERM INVESTMENTS

At September 30, 2001, long-term investments consisted primarily of investments in limited partnerships of \$10,080. The Company is an investor in one limited partnership where it is required to make additional investments of up to an aggregate of \$8,300 at September 30, 2001. For the nine months ended September 30, 2001, the Company recognized a gain of \$883 on the liquidation of an investment in a limited partnership. The Company believes the fair value of the limited partnerships exceeds their carrying amount by approximately \$6,000 based on the indicated market values of the underlying investment portfolio provided by the partnerships. The Company's estimates of the fair value of its long-term investments are subject to judgment and are not necessarily indicative of the amounts that could be realized in the current market. The Company's investments in limited partnerships are illiquid, and the ultimate realization of these investments is subject to the performance of the underlying partnership and its management by the general partners.



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

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

	September 30, 2001 -----	December 31, 2000 -----
Vector:		
6.25% Convertible Subordinated Notes due 2008 .....	\$ 172,500	\$ --
VGR Holding:		
10% Senior Secured Notes due 2006, net of unamortized discount of \$9,655 .....	50,345	--
Liggett:		
Revolving credit facility .....	--	19,374
Term loan under credit facility .....	6,090	4,320
Equipment loans .....	1,599	5,760
New Valley:		
Notes payable - shopping centers .....	11,246	19,529
Notes payable - Russia .....	9,089	8,187
Notes payable - LTS .....	15,490	--
Vector Research:		
Equipment loan .....	12,933	--
Vector Tobacco:		
Note payable .....	8,030	--
Other .....	250	570
	-----	-----
Total notes payable, long-term debt and other obligations	287,572	57,740
Less:		
Current maturities .....	(5,650)	(17,850)
	-----	-----
Amount due after one year .....	\$ 281,922 =====	\$ 39,890 =====

6.25% Convertible Subordinated Notes Due July 15, 2008 - Vector:

In July 2001, Vector completed the sale of \$172,500 (net proceeds of approximately \$166,400) of its 6.25% convertible subordinated notes due 2008 through a private offering to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933. The notes accrue interest at 6.25% per annum and are convertible into Vector's common stock, at the option of the holder, at a conversion price of \$34.41 per share at September 30, 2001. The conversion price is subject to adjustment for various events, and any cash distribution on Vector's common stock will result in a corresponding decrease in the conversion price. The initial conversion price of \$36.531 per share has been adjusted to reflect a cash dividend of \$0.40 per share of common stock and a 5% stock dividend paid by the Company on September 28, 2001.

The notes may be redeemed by Vector, in whole or in part, between July 15, 2003 and July 15, 2004, if the closing price of Vector's common stock exceeds 150% of the conversion price then in effect for a period of at least 20 trading days in any consecutive 30 day trading period, at a price equal to 100% of the principal amount, plus accrued interest and a "make whole" payment. Vector may redeem the notes, in whole or in part, at a price of 103.125% in the year beginning July 15, 2004, 102.083% in the year beginning July 15, 2005, 101.042% in the year beginning July 15, 2006 and 100% in the year beginning July 15, 2007, together with accrued

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interest. If a change of control occurs, Vector will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued interest and, under certain circumstances, a "make whole" payment.

10% Senior Secured Notes Due March 31, 2006 - VGR Holding

On May 14, 2001, VGR Holding issued at a discount \$60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement. VGR Holding received net proceeds from the offering of approximately \$46,500. The notes were priced to provide the purchasers with a 15.75% yield to maturity.

The notes are collateralized by substantially all of VGR Holding's assets, including a pledge of VGR Holding's equity interests in its direct subsidiaries, including Brooke Group Holding, Brooke (Overseas), 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 among other things, limit the ability of VGR Holding to make distributions to the Company to 50% of VGR Holding's net income, unless VGR Holding holds \$50,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of VGR Holding, Liggett and Vector Tobacco to 250% of EBITDA for the trailing 12 months, restrict transactions with affiliates subject to exceptions which include payments to the Company not to exceed \$9,500 per year for permitted operating expenses, and limit the ability of VGR Holding to merge, consolidate or sell certain assets.

Prior to May 24, 2003, VGR Holding may redeem up to \$21,000 of the notes at a redemption price of 105% of the accreted value with proceeds from one or more equity offerings. VGR Holding may redeem the notes, in whole or in part, at a redemption price of 103% of accreted value in the year beginning May 14, 2003, 102% of accreted value in the year beginning May 14, 2004 and 100% of accreted value after May 14, 2005. During the term of the notes, VGR Holding is required to offer to repurchase all the notes at a purchase price of 101% of accreted value, in the event of a change of control, and to offer to repurchase notes, at the redemption prices, with the proceeds of material asset sales.

Revolving Credit Facility - Liggett:

Liggett has a \$35,000 credit facility under which \$0 was outstanding at September 30, 2001. Availability under the credit facility was approximately \$29,003 based on eligible collateral at September 30, 2001. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above First Union's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate. The facility's interest rate was 7.5% at September 30, 2001. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment of the dividend, and after giving effect to the dividend, is at least \$5,000. In addition, the facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below \$8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of \$17,000 as computed in accordance with the agreement). At September 30, 2001, Liggett was in compliance with all covenants under the

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credit facility; Liggett's adjusted net worth was \$31,720 and net working capital was \$24,648, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

During 1999, 100 Maple Lane LLC, a new company formed by Liggett to purchase an industrial facility in Mebane, North Carolina, borrowed \$5,040 from the lender under Liggett's credit facility. In July 2001, Liggett borrowed an additional \$2,340 under the term loan, and a total of \$6,090 was outstanding at September 30, 2001. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of \$75 including annual interest at 1% above the prime rate with a final payment of \$1,875. Liggett has guaranteed the loan, and a first mortgage on the Mebane property collateralizes the Maple Lane loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

Equipment Loans - Liggett:

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

In January 1999, Liggett purchased equipment for \$5,750 and borrowed \$4,500 to fund the purchase from a third party. The loan, which was collateralized by the equipment and guaranteed by VGR Holding and Vector, was payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550. The remaining amount of the loan was repaid in July 2001 in connection with the sale of the equipment.

Notes Payable - New Valley:

In February 2001, New Valley sold its Royal Palm Beach, Florida shopping center for \$9,500 before closing adjustments and expenses and recorded a gain of \$897 for the nine months ended September 30, 2001. Notes payable relating to the shopping center with a balance of \$8,226 at December 31, 2000 were repaid upon closing. New Valley may seek to dispose of other real estate holdings in the future.

On May 31, 2001, Western Realty Development's Russian subsidiary entered into a credit agreement with ZAO Raiffeisenbank Austria. The subsidiary borrowed \$8,700 in the third quarter of 2001 under the credit agreement, and \$8,265 was outstanding at September 30, 2001. The proceeds of the borrowing were used to refinance the subsidiary's prior facility with a Russian bank and to repay intercompany indebtedness. Borrowings under the credit agreement bear interest at a rate of LIBOR plus 6% and are secured by a mortgage on Ducat Place II. Principal payments are due under the credit agreement in 20 equal quarterly installments of \$435, with all remaining amounts due on June 30, 2006. At September 30, 2001, Western Realty Development had a loan outstanding of \$824 to Apollo, repaid in October 2001.

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In connection with the LTS acquisition transaction, LTS issued \$11,990 (net of the \$8,010 of notes issued to New Valley) of its senior convertible notes. The notes bear a weighted average interest rate of 8% and mature on December 31, 2005.

On August 31, 2001, LTS borrowed from New Valley and Frost-Nevada \$1,000 (net of the \$1,000 of notes issued to New Valley). The loans, which bear interest at 1% above the prime rate, mature on the earlier of February 28, 2002 or the next business day after LTS receives its federal income tax refund for the fiscal year ended September 30, 2001.

Ladenburg has a \$2,500 junior subordinated revolving credit agreement that extends through October 31, 2002 with its clearing broker under which outstanding borrowings incur interest at LIBOR plus 2%. As of September 30, 2001, borrowings of \$2,500 were outstanding.

Equipment Loans - Vector Research:

In February 2001, a subsidiary of Vector Research Ltd. purchased equipment for \$15,500 and borrowed \$13,175 to fund the purchase. The loan, which is collateralized by the equipment and a letter of credit from the Company for \$775, is guaranteed by Vector Research Ltd., VGR Holding and the Company. The loan is payable in 120 monthly installments of \$125 including annual interest of 7.78% with a final payment of \$6,125.

Note Payable - Vector Tobacco:

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

10. EQUITY

On January 22, 2001, the Company granted non-qualified stock options to two executive officers of the Company pursuant to the Company's 1999 Long-Term Incentive Plan. Under the options, the option holders have the right to purchase an aggregate of 787,500 shares of common stock at an exercise price of \$18.21 per share (the fair market value of a share of common stock on the date of grant). Common stock dividend equivalents are paid currently with respect to each share underlying the unexercised portion of the options. The options have a ten-year term and become exercisable on November 4, 2003. However, the options will earlier vest and become immediately exercisable upon (i) the occurrence of a change in control or (ii) the termination of the option holder's employment with the Company due to death or disability.

During the nine months ended September 30, 2001, employees of the Company or its subsidiaries were awarded a total of 972,925 non-qualified options to purchase shares of common stock at prices ranging from \$17.02 to \$41.49, generally at the fair market value on the dates of grant

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under the Company's 1998 and 1999 Long-Term Incentive Plan. The Company will recognize compensation expense of \$1,183 over the vesting period.

On May 16, 2001, Vector entered into a stock purchase agreement with High River Limited Partnership, an investment entity owned by Carl C. Icahn, in which High River agreed to purchase for \$50,000 1,721,311 shares of Vector's common stock at a price of \$29.05 per share, the market price when negotiations with Mr. Icahn were completed. The closing of the purchase of the shares occurred on May 31, 2001.

On June 8, 2001, the Company granted 10,500 shares of the Company's common stock to each of its three outside directors which will vest over a period of three years. The Company will recognize compensation expense of \$1,017 over the vesting period.

During the nine months ended September 30, 2001, a total of 2,028,687 warrants to purchase Vector's common stock at \$4.32 per share were exercised. At September 30, 2001, Vector had outstanding 286,561 of the \$4.32 warrants which expire in 2003.

During the quarter ended September 30, 2001, 525,000 options to purchase Vector common stock at \$5.18 per share were exercised by a law firm which represents the Company and Liggett. At September 30, 2001, the law firm had options for an additional 591,281 shares at \$5.18 per share, which expire in 2003.

11. CONTINGENCIES

SMOKING-RELATED LITIGATION:

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

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months ended September 30, 2001, Liggett incurred counsel fees and costs totaling approximately \$4,911 compared to \$4,342 for the nine months ended September 30, 2000.

Individual Actions. As of September 30, 2001, there were approximately 318 cases pending against Liggett, and in most cases the other tobacco companies, where one or more individual plaintiffs allege injury resulting from cigarette smoking, addiction to cigarette smoking or exposure to secondary smoke and seek compensatory and, in some cases, punitive damages. Of these, 93 were pending in New York, 68 in Florida, 23 in California, 15 in Texas, 14 in Louisiana and 13 in each of Massachusetts and Mississippi. The balance of the individual cases were pending in 22 states. There are five individual cases pending where Liggett is the only named defendant. In addition to these cases, during the third quarter of 2000, an action against cigarette manufacturers involving approximately 1,250 named individual plaintiffs has been consolidated before a single West Virginia state court. Liggett is a defendant in most of the cases pending in West Virginia.

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

Jury awards in California and Oregon have been entered against other companies in the tobacco industry. The awards in these individual actions are for both compensatory and punitive damages and represent a material amount of damages. In June 2001, a jury awarded \$5,500 in compensatory damages and \$3,000,000 in punitive damages in a California state court case involving Philip Morris. The punitive damages award was subsequently reduced to \$100,000 by the trial court. In each case, both the verdict and damage awards are being appealed by the defendants. In November 2001, in one of these cases, a \$25,000 punitive damages judgment against Philip Morris was affirmed by a California intermediate appellate court. Philip Morris has announced their interest to appeal the decision to the California Supreme Court. During 2001, as a result of a Florida Supreme Court decision upholding the award, another cigarette manufacturer paid \$1,100 in compensatory damages and interest to a former smoker and his spouse for injuries they allegedly incurred as a result of smoking. In June 2001, the U. S. Supreme Court declined to review the case.

Class Actions. As of September 30, 2001, there were approximately 38 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

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statewide class actions and were filed after May 1996 when the Fifth Circuit Court of Appeals, in the Castano case (discussed below), reversed a Federal district court's certification of a purported nationwide class action on behalf of persons who were allegedly "addicted" to tobacco products.

In March 1994, an action entitled *Castano, et al. v. The American Tobacco Company Inc., et al.*, United States District Court, Eastern District of Louisiana, was filed against Liggett and others. The class action complaint sought relief for a nationwide class of smokers based on their alleged addiction to nicotine. In February 1995, the District Court granted plaintiffs' motion for class certification. In May 1996, the Court of Appeals for the Fifth Circuit reversed the class certification order and instructed the District Court to dismiss the class complaint. The Fifth Circuit ruled that the District Court erred in its analysis of the class certification issues by failing to consider how variations in state law affect predominance of common questions and the superiority of the class action mechanism. The appeals panel also held that the District Court's predominance inquiry did not include consideration of how a trial on the merits in *Castano* would be conducted. The Fifth Circuit further ruled that the "addiction-as-injury" tort is immature and, accordingly, the District Court could not know whether common issues would be a "significant" portion of the individual trials. According to the Fifth Circuit's decision, any savings in judicial resources that class certification may bring about were speculative and would likely be overwhelmed by the procedural problems certification brings. Finally, the Fifth Circuit held that in order to make the class action manageable, the District Court would be forced to bifurcate issues in violation of the Seventh Amendment.

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 May 1994, an action entitled *Engle, et al. v. R.J. Reynolds Tobacco Company, et al.*, Circuit Court, Eleventh Judicial Circuit, Dade County, Florida, was filed against Liggett and others. The class consists of all Florida residents and citizens, and their survivors, who have suffered, presently suffer or have died from diseases and medical conditions caused by their addiction to cigarettes that contain nicotine. Phase I of the trial commenced in July 1998 and in July 1999, the jury returned the Phase I verdict. The Phase I verdict concerned certain issues determined by the trial court to be "common" to the causes of action of the plaintiff class. Among other things, the jury found that: smoking cigarettes causes 20 diseases or medical conditions, cigarettes are addictive or dependence producing, defective and unreasonably dangerous, defendants made materially false statements with the intention of misleading smokers, defendants concealed or omitted material information concerning the health effects and/or the addictive nature of smoking cigarettes and agreed to misrepresent and conceal the health effects and/or the addictive nature of smoking cigarettes, and defendants were negligent and engaged in extreme and outrageous conduct or acted with reckless disregard with the intent to inflict emotional distress. The jury also found that defendants' conduct "rose to a level that would permit a potential award or entitlement to punitive damages." The court

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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. On April 7, 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. On July 14, 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 on November 6, 2000. The court's final judgment, which provides for interest at the rate of 10% per year on the jury's awards, also denied various of defendants' post-trial motions, which included a motion for new trial and a motion seeking reduction of the punitive damages award. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it could have a material adverse effect on the Company. Phase III of the trial will be conducted before separate juries to address absent class members' claims, including issues of specific causation and other individual issues regarding entitlement to compensatory damages.

Now that the Engle jury has awarded punitive damages and final judgment has been entered, it is unclear how the state court's order regarding the determination of punitive damages will be implemented. The order provides that the punitive damage amount should be standard as to each class member and acknowledges that the actual size of the class will not be known until the last case has withstood appeal. The order does not address whether defendants will be required to pay the punitive damage award prior to a determination of claims of all class members, a process that could take years to conclude. In May 2000, legislation was enacted in Florida that limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict to the lesser of the punitive award plus twice the statutory rate of interest, \$100,000 or 10% of the net worth of the defendant, but the limitation on the bond does not affect the amount of the underlying verdict. Liggett has filed the \$3,450 bond required by the Florida law in order to stay execution of the Engle judgment. Similar legislation has been enacted in Georgia, Kentucky, Louisiana, Nevada, North Carolina, Oklahoma, South Carolina, Virginia and West Virginia.

On May 7, 2001, Liggett, along with Philip Morris Incorporated and Lorillard Tobacco Co., reached an agreement with the class in the Engle case, which will provide assurance of Liggett's ability to appeal the jury's July 2000 verdict. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. As a result, the Company has recorded a \$9,723 pre-tax charge to the consolidated statement of operations for the first quarter of 2001. The agreement, which was approved by the Dade County Circuit Court in Miami, assures that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court.



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

In August 2000, in Blankenship v. Philip Morris, Inc., a West Virginia state court conditionally certified (only to the extent of medical monitoring) a class of present or former West Virginia smokers who desire to participate in a medical monitoring plan. The trial of this case ended on January 25, 2001, when the judge declared a mistrial. In an order issued on March 23, 2001, the court reaffirmed class certification of this medical monitoring action. In July 2001, the court issued an order severing Liggett from the retrial of the case which began in September 2001.

Approximately 38 purported state and federal class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations, including Liggett and Brooke Holding. The actions allege that the cigarette manufacturers have engaged in a nationwide and international conspiracy to fix the price of cigarettes in violation of state and federal antitrust laws. Plaintiffs allege that defendants' price-fixing conspiracy raised the price of cigarettes above a competitive level. Plaintiffs in the 31 state actions purport to represent classes of indirect purchasers of cigarettes in 16 states; plaintiffs in the seven federal actions purport to represent a nationwide class of wholesalers who purchased cigarettes directly from the defendants. The federal actions have been consolidated and, on July 28, 2000, plaintiffs in the federal consolidated action filed a single consolidated complaint that did not name Liggett or Brooke Group Holding as defendants, although Liggett has complied with certain discovery requests. Fourteen California actions have been consolidated and the consolidated complaint did not name Liggett or Brooke Group Holding as defendants. In Nevada, an amended complaint was filed that did not name Liggett or Brooke Group Holding as defendants. The Arizona action was dismissed by the trial court, but the plaintiffs have appealed that ruling.

Liggett and plaintiffs have advised the court, in Simon v. Philip Morris et al., a putative nationwide smokers class action, that Liggett and the plaintiffs have engaged in preliminary settlement discussions. There are no assurances that any settlement will be reached or that the class will ultimately be certified.

Governmental Actions. As of September 30, 2001, there were approximately 49 Governmental Actions pending against Liggett. In these proceedings, both foreign and domestic governmental entities seek reimbursement for Medicaid and other health care expenditures. The claims asserted in these health care cost recovery actions vary. In most of these cases, plaintiffs assert the equitable claim that the tobacco industry was "unjustly enriched" by plaintiffs' payment of health care costs allegedly attributable to smoking and seek reimbursement of those costs. Other claims made by some but not all plaintiffs include the equitable claim of indemnity, common law claims of negligence, strict liability, breach of express and implied warranty, breach of special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, claims under state and federal statutes governing consumer fraud, antitrust, deceptive trade practices and false advertising, and claims under RICO.

Third-Party Payor Actions. As of September 30, 2001, there were approximately 55 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

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and welfare trust funds, asbestos manufacturers and others. Eight United States Circuit Courts of Appeal have ruled that Third-Party Payors did not have standing to bring lawsuits against the tobacco companies. In January 2000, the United States Supreme Court denied petitions for certiorari filed by several of the union health and welfare trust funds. However, a number of Third-Party Payor Actions, including an action brought by 24 Blue Cross/Blue Shield Plans, remain pending.

In June 2001, a jury in a third party payor action brought by Empire Blue Cross and Blue Shield in the Eastern District of New York rendered a verdict awarding the plaintiff \$17,800 in damages against the major tobacco companies. As against Liggett, the jury awarded the plaintiff damages of \$89. Liggett plans an appeal of the jury verdict.

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

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

In June 2001, the United States Attorney General assembled a team of three Department of Justice ("DOJ") lawyers to work on a possible settlement of the federal lawsuit. The DOJ lawyers met with representatives of the tobacco industry, including Liggett, on July 18, 2001. No settlement was reached, and no further meetings are planned. Discovery in the case has commenced, and trial has been scheduled for July 2003.

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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 has received final judicial approval in each of the 52 settling jurisdictions.

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

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

Liggett has no payment obligations under the MSA unless its market share exceeds a base share of 125% of its 1997 market share, or approximately 1.65% of total cigarettes sold in the United States. Liggett believes, based on published industry sources, that its domestic shipments accounted for 1.5% of the total cigarettes shipped in the United States during 2000. In the year following any year in which Liggett's market share does exceed the base share, Liggett will pay on each excess unit an amount equal (on a per-unit basis) to that paid during such following year by the OPMs under the annual and strategic contribution payment provisions of the MSA, subject to applicable adjustments, offsets and reductions. Based on

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current sales volume, Liggett's management anticipates Liggett's market share will exceed the base share during 2001. Liggett has expensed its MSA obligations as part of cost of goods sold to the extent it is estimated that such obligations will be due. Under the annual and strategic contribution payment provisions of the MSA, the OPMs (and Liggett to the extent its market share exceeds the base share) are required to pay the following annual amounts (subject to certain adjustments):

Year ----	Amount -----
2001	\$5,000,000
2002 - 2003	\$6,500,000
2004 - 2007	\$8,000,000
2008 - 2017	\$8,139,000
2018 and each year thereafter	\$9,000,000

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

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

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

In March 1997, Liggett, Brooke Group Holding and a nationwide class of individuals that allege smoking-related claims filed a mandatory class settlement agreement in an action entitled Fletcher, et al. v. Brooke Group Ltd., et al., Circuit Court of Mobile County, Alabama, where the court granted preliminary approval and preliminary certification of the class. In July 1998, Liggett, Brooke Group Holding and plaintiffs filed an amended class action settlement agreement in Fletcher which agreement was preliminarily approved by the court in December

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1998. In July 1999, the court denied approval of the Fletcher class action settlement. The parties' motion for reconsideration is still pending.

The Company accrued \$16,902 for the present value of the fixed payments under the March 1998 Attorneys General settlements. As a result of the Company's treatment under the MSA, \$14,928 of net charges accrued for the prior settlements were reversed in 1998, \$1,051 were reversed in 1999 and \$934 were reversed in 2000.

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

Trials. Cases currently scheduled for trial during the next six months include two individual actions in New York state courts scheduled for January and March 2002. Trial dates, however, are subject to change.

Management is not able to predict the outcome of the litigation pending against Brooke Group Holding or Liggett. Litigation is subject to many uncertainties. An unfavorable verdict was returned in the first phase of the Engle smoking and health class action trial pending in Florida. In July 2000, the jury awarded \$790,000 in punitive damages against Liggett in the second phase of the trial, and the court has entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it could have a material adverse effect on the Company. Liggett has filed the \$3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the Engle case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the bonding statute enacted last year by the Florida legislature, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the Engle case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. Management is unable to make a meaningful estimate with respect to the amount or range of loss that could result from an unfavorable outcome of the cases pending against Brooke Group Holding or Liggett or the costs of defending such cases. The complaints filed in these cases rarely detail alleged damages. Typically, the claims set forth in an individual's complaint against the tobacco industry pray for money damages in an amount to be determined by a jury, plus punitive damages and costs. These damage claims are typically stated as being for the minimum necessary to invoke the jurisdiction of the court.

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

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

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

LEGISLATION AND REGULATION:

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

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

In August 1996, the Food and Drug Administration (the "FDA") filed in the Federal Register a Final Rule classifying tobacco as a "drug" or "medical device", asserting jurisdiction over the

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manufacture and marketing of tobacco products and imposing restrictions on the sale, advertising and promotion of tobacco products. Litigation was commenced challenging the legal authority of the FDA to assert such jurisdiction, as well as challenging the constitutionality of the rules. In March 2000, the United States Supreme Court ruled that the FDA does not have the power to regulate tobacco. Liggett supported the FDA Rule and began to phase in compliance with certain of the proposed FDA regulations.

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

In August 1996, Massachusetts enacted legislation requiring tobacco companies to publish information regarding the ingredients in cigarettes and other tobacco products sold in that state. In December 1997, the United States District Court for the District of Massachusetts preliminarily enjoined this legislation from going into effect on the grounds that it is preempted by federal law. In November 1999, the United States Court of Appeals for the First Circuit affirmed this ruling. In September 2000, the federal district court permanently enjoined enforcement of the law. In October 2001, the First Circuit reversed the district court's decision, ruling that the ingredients disclosure provisions are valid. The other manufacturers are seeking to have this decision overturned. Notwithstanding the foregoing, in December 1997, Liggett began complying with this legislation by providing ingredient information to the Massachusetts Department of Public Health. Several other states have enacted, or are considering, legislation similar to that enacted in Massachusetts.

As part of the 1997 budget agreement approved by Congress, federal excise taxes on a pack of cigarettes, which are currently 34 cents, were increased at the beginning of 2000 and will rise 5 cents more in the year 2002. In general, excise taxes and other taxes on cigarettes have been increasing. These taxes vary considerably and, when combined with sales taxes and the current federal excise tax, may be as high as \$1.90 per pack in a given locality in the United States. Congress has considered significant increases in the federal excise tax or other payments from tobacco manufacturers, and increases in excise and other cigarette-related taxes have been proposed at the state and local levels.

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

In addition to the foregoing, there have been a number of other restrictive regulatory actions, adverse legislative and political decisions and other unfavorable developments concerning

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cigarette smoking and the tobacco industry, the effects of which, at this time, management is not able to evaluate. These developments may negatively affect the perception of potential triers of fact with respect to the tobacco industry, possibly to the detriment of certain pending litigation, and may prompt the commencement of additional similar litigation.

OTHER MATTERS:

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

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

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

As of September 30, 2001, New Valley had \$5,315 of remaining prepetition bankruptcy-related claims and restructuring accruals including claims for unclaimed monies that certain states are seeking on behalf of money transfer customers. The remaining claims may be subject to future adjustments based on potential settlements or decisions of the court.



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New Valley is a defendant in various lawsuits and may be subject to unasserted claims primarily concerning its activities as a securities broker-dealer and its participation in public underwritings. These lawsuits involve claims for substantial or indeterminate amounts and are in varying stages of legal proceedings. In the opinion of management, after consultation with counsel, the ultimate resolution of these matters is not expected to have a material adverse effect on the Company's or New Valley's consolidated financial position, results of operations or cash flows.

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	September 30, 2001	December 31, 2000
	-----	-----
Note payable for Western Realty Development Class A Interests.....	\$20,029	\$19,968
Western Realty Repin participating loan.....	38,605	36,127
Other long-term liabilities.....	2,079	5,532
	-----	-----
Total.....	\$60,713	\$61,627
	=====	=====

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13. SEGMENT INFORMATION

Financial information for the Company's continuing operations before taxes and minority interest for the three and nine months ended September 30, 2001 and 2000 follows:

	Liggett	Liggett-(1) Ducat	Vector Tobacco	Broker-(2) Dealer	Real(3) Estate	Corporate(3) and Other	Total
Three Months Ended Sept. 30, 2001:							
Revenues .....	\$193,881	\$ --	\$ --	\$ 18,297	\$ 2,538	\$ --	\$214,716
Operating income (loss) .....	33,592	--	(10,574)	(8,412)	(166)	(5,852)	8,588
Depreciation and amortization .....	1,025	--	533	823	661	431	3,473
Three Months Ended Sept. 30, 2000:							
Revenues .....	\$149,190	\$ 17,933	\$ --	\$ 13,009	\$ 778	\$ --	\$180,910
Operating income (loss) .....	24,878	55	(2,777)	80	(1,114)	(13,770)	7,352
Depreciation and amortization .....	1,156	1,254	--	210	147	8	2,775
Nine Months Ended Sept. 30, 2001:							
Revenues .....	\$511,550	\$ --	\$ --	\$ 58,593	\$ 7,604	\$ --	\$577,747
Operating income (loss) .....	76,435	--	(21,790)	(12,464)	(796)	(16,290)	25,095
Identifiable assets .....	128,933	--	51,066	85,344	131,993	400,593	797,929
Depreciation and amortization .....	3,463	--	870	1,643	1,989	904	8,869
Capital expenditures .....	5,266	--	25,362	2,433	1,213	16,729	51,003
Nine Months Ended Sept. 30, 2000:							
Revenues .....	\$394,652	\$107,263	\$ --	\$ 61,605	\$ 2,369	\$ --	\$565,889
Operating income (loss) .....	49,568	1,998	(5,971)	5,126	(5,210)	(18,236)	27,275
Identifiable assets .....	108,979	--	369	49,051	59,195	226,306	443,900
Depreciation and amortization .....	3,162	5,895	--	647	679	25	10,408
Capital expenditures .....	11,902	14,394	--	340	2,668	--	29,304

(1) Russian tobacco is included for the three and nine months ended September 30, 2000. Western Tobacco Investments was sold on August 4, 2000.

(2) The acquired operations of LTS are included in the Company's results of operations commencing May 7, 2001.

(3) New Valley's interest in Western Realty Development is included in real estate operations for the 2001 periods and in corporate and other for the 2000 periods when it was accounted for on the equity method.

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

(Dollars in Thousands, Except Per Share Amounts)

INTRODUCTION

The following discussion provides an assessment of the consolidated results of operations, capital resources and liquidity of Vector Group Ltd. (the "Company" or "Vector") and its subsidiaries and should be read in conjunction with the Consolidated Financial Statements and notes thereto of the Company included elsewhere in this document. The consolidated financial statements include the accounts of VGR Holding Inc. (formerly known as BGLS Inc.) ("VGR Holding"), Liggett Group Inc. ("Liggett"), New Valley Corporation ("New Valley"), Brooke (Overseas) Ltd. ("Brooke Overseas"), Vector Tobacco Inc. ("Vector Tobacco"), through July 31, 2000 Liggett-Ducat Ltd. ("Liggett-Ducat"), and other less significant subsidiaries. As of September 30, 2001, the Company owned 56.3% of New Valley's common shares.

The Company is a holding company for a number of businesses. Vector Tobacco is engaged in the development and marketing of new, less hazardous cigarette products. Liggett is engaged in the manufacture and sale of cigarettes in the United States. New Valley is engaged in the investment banking and brokerage business and in the real estate business.

RECENT DEVELOPMENTS

OMNI Product Launch. On November 5, 2001, Vector announced the launch by Vector Tobacco of OMNI, the first reduced carcinogen cigarette that tastes, smokes and burns just like other premium cigarettes. OMNI cigarettes are available in select retail stores nationwide and are priced comparable to other premium cigarettes.

Convertible Note Offering. In July 2001, Vector completed the sale of \$172,500 (net proceeds of approximately \$166,400) of its 6.25% Convertible Subordinated Notes due 2008 through a private offering to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933. The notes will accrue interest at 6.25% per annum and will be convertible into Vector's common stock, at the option of the holder, at a conversion price of \$34.41 per share at September 30, 2001. The conversion price is subject to adjustment for various events, and any cash distribution on Vector's common stock will result in a corresponding decrease in the conversion price. The initial conversion price of \$36.531 per share has been adjusted to reflect a cash dividend of \$0.40 per share of common stock and a 5% stock dividend paid by the Company on September 28, 2001.

Vector intends to use the net proceeds of the offering of notes, together with the proceeds from the placement of VGR Holding's senior secured notes and the investment in Vector's common stock by an entity affiliated with Carl C. Icahn, for general corporate purposes, including to fund the planned advertising and promotion of Vector Tobacco's new OMNI and OMNI Nicotine Free cigarette products and to pursue strategic acquisitions by Liggett of smaller tobacco manufacturers.

Sale of Stock to Icahn. On May 16, 2001, Vector entered into a stock purchase agreement with High River Limited Partnership, an investment entity owned by Carl C. Icahn, in which High River agreed to purchase for \$50,000 1,721,311 shares of Vector's common stock at a price of \$29.05 per share, the market price when negotiations with Mr. Icahn were completed. The closing of the purchase of the shares occurred on May 31, 2001.

VGR Holding Private Placement. On May 14, 2001, VGR Holding issued at a discount \$60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement to institutional investors. VGR Holding received net proceeds from the offering of approximately \$49,700 before fees and expenses of \$3,200.

Acquisition of Ladenburg Thalmann Financial Services Inc. On May 7, 2001, GBI Capital Management Corp. ("GBI") acquired all of the outstanding common stock of New Valley's 80.1% subsidiary, Ladenburg Thalmann & Co. Inc. ("Ladenburg"), for 23,218,599 shares, \$10,000 cash and \$10,000 principal amount of senior convertible notes due December 31, 2005, and the name of GBI was changed to Ladenburg Thalmann Financial Services Inc. ("LTS"). The notes bear interest at 7.5% per annum and are convertible into 4,799,271 shares of LTS common stock. Upon closing, New Valley also acquired an additional 3,945,060 shares of LTS from the former Chairman of LTS for \$1.00 per share. Following completion of the transactions, New Valley owned 53.6% and 49.5% of the common stock of LTS, an American Stock Exchange-listed company, on a basic and fully-diluted basis.

To provide the funds for the acquisition of the common stock of Ladenburg, LTS borrowed \$10,000 from Frost-Nevada, Limited Partnership ("Frost-Nevada") and issued to Frost-Nevada \$10,000 principal amount of senior convertible notes due December 31, 2005. The notes bear interest at 8.5% per annum and are convertible into 6,497,475 shares of LTS common stock. These notes, together with the notes issued to the Ladenburg stockholders, are secured by a pledge of the Ladenburg stock.

The actual number of shares of common stock may be further increased and the conversion prices of the senior convertible notes may be further decreased on or about May 7, 2003, pending a final resolution of LTS's pre-closing litigation adjustments.

The transaction has been accounted for under the purchase method of accounting as a reverse acquisition. For accounting purposes, Ladenburg has been treated as the acquirer of LTS as Ladenburg's stockholders held a majority of the LTS common stock following the closing of the transaction. As of May 7, 2001, LTS is accounted for as a consolidated subsidiary of New Valley.

#### 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 September 30, 2001, there were approximately 318 individual suits, 38 purported class actions and 104 governmental and other third-party payor health care reimbursement actions pending in the United States in which Liggett was a named defendant. In addition to these cases, during 2000, an action against cigarette manufacturers involving approximately 1,250 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. Approximately 38 other purported class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations. As new cases are commenced, the costs associated with defending these cases and the risks relating to the inherent unpredictability of litigation continue to increase.

An unfavorable verdict was returned in the first phase of the Engle smoking and health class action trial pending in Florida. In July 2000, the jury awarded \$790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the \$3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a

punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the Engle case, which will provide assurance to Liggett that the stay of execution, currently in effect under the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the Engle case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met.

In recent years, there have been a number of restrictive regulatory actions from various Federal administrative bodies, including the United States Environmental Protection Agency and the Food and Drug Administration. There have also been adverse political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, including the commencement and certification of class actions and the commencement of third-party payor actions. These developments generally receive widespread media attention. Vector is not able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation, but Vector's consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any smoking-related litigation. See Part II, Item 1, "Legal Proceedings" and Note 11 to Vector's consolidated financial statements for a description of legislation, regulation and litigation.

#### RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
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Revenues:				
Liggett.....	\$193,881	\$149,190	\$511,550	\$394,652
Liggett-Ducat(1).....	--	17,933	--	107,263
Total tobacco.....	193,881	167,123	511,550	501,915
Broker-dealer(2).....	18,297	13,009	58,593	61,605
Real estate(3).....	2,538	778	7,604	2,369
Total revenues.....	\$214,716	\$180,910	\$577,747	\$565,889
	=====	=====	=====	=====
Operating income:				
Liggett.....	\$ 33,592	\$ 24,878	\$ 76,435	\$ 49,568
Liggett-Ducat(1).....	--	55	--	1,998
Vector Tobacco.....	(10,574)	(2,777)	(21,790)	(5,971)
Total tobacco.....	23,018	22,156	54,645	45,595
Broker-dealer(2).....	(8,412)	80	(12,464)	5,126
Real estate(3).....	(166)	(1,114)	(796)	(5,210)
Corporate and other(3).....	(5,852)	(13,770)	(16,290)	(18,236)
Total operating income....	\$ 8,588	\$ 7,352	\$ 25,095	\$ 27,275
	=====	=====	=====	=====

(1) Liggett-Ducat's revenues and operating income are included through July 31, 2000.

(2) The acquired operations of LTS are included in the Company's results of operations commencing May 7, 2001.

- (3) New Valley's interest in Western Realty Development is included in real estate operations for the 2001 periods and in corporate and other for the 2000 periods when it was accounted for on the equity method.

THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2000

Revenues. Total revenues were \$214,716 for the three months ended September 30, 2001 compared to \$180,910 for the three months ended September 30, 2000. This \$33,806 or 18.7% increase in revenues was due to a \$44,691 or 30.0% increase in revenues at Liggett, an increase of \$5,288 in broker-dealer revenues and an increase of \$1,760 in real estate revenues offset by the absence of Liggett-Ducat revenues (\$17,933 in the prior three-month period) due to the sale of Western Tobacco Investments on August 4, 2000.

Tobacco Revenues. During 2000, the major cigarette manufacturers, including Liggett, announced list price increases of \$3.30 per carton. In April 2001, the major cigarette manufacturers, including Liggett, announced list price increases of \$1.40 per carton. In October 2001, the major cigarette manufacturers, including Liggett, announced list price increases of \$0.50 per carton.

Total tobacco revenues were \$193,881 for the three months ended September 30, 2001 compared to \$167,123 for the three months ended September 30, 2000. This \$26,758 or 16.0% increase in revenues was due to an increase in tobacco revenues at Liggett offset by the absence of revenues at Liggett-Ducat due to the sale of Western Tobacco Investments in August 2000. Revenues at Liggett increased by 30.0% (\$44,691) for both the premium and discount segments due to a 42.2% increase in unit sales volume (approximately 724.9 million units), accounting for a \$62,898 in positive volume variance, and price increases of \$8,178, partially offset by \$26,385 in unfavorable sales mix.

Premium sales at Liggett for the third quarter of 2001 amounted to \$31,100 and represented 16.0% of Liggett's total sales, compared to \$14,380 and 9.6% of total sales in the third quarter of 2000. In the premium segment, revenues grew by 116.3% (\$16,720) for the three months ended September 30, 2001, compared to the prior year period, due to favorable volume variance in the third quarter of 2001 of \$12,828, reflecting an 89.2% increase in unit sales volume (approximately 117.4 million units) corresponding with the Jade and Eve 100 product introductions in this quarter and to price increases of \$3,892.

Discount sales at Liggett (comprising the brand categories of branded discount, private label, control label, generic, international and contract manufacturing) for the three months ended September 30, 2001 amounted to \$162,781 and represented 84.0% of Liggett's total sales, compared to \$134,810 and 90.4% of total sales for the three months ended September 30, 2000. In the discount segment, revenues grew by 20.7% (\$27,971) for the three months ended September 30, 2001 compared to the prior year period, due to a 38.3% increase in unit sales volume (approximately 607.5 million units), accounting for \$51,579 in positive volume variance and to price increases of \$4,286, partially offset by an unfavorable product mix among the discount brand categories of \$27,894.

For the three months ended September 30, 2001, fixed manufacturing costs at Liggett on a basis comparable to the same period in 2000 were \$50 lower with costs of \$1.99 per thousand units in the 2001 period, declining 27.1% over costs of \$2.73 in the prior year period against a 38.5% increase in production volume. On a per-thousand-unit basis, fixed payroll expense and indirect labor of \$1.17 declined from \$1.31 in the prior year period while fixed non-payroll expenses declined to \$0.82 from \$1.42 in the prior year period with the relocation of Liggett's manufacturing facility to Mebane, NC.

Tobacco Gross Profit. Tobacco gross profit was \$125,490 for the three months ended September 30, 2001 compared to \$108,261 for the three months ended September 30, 2000, an increase of \$17,229 or 15.9% when compared to the same period last year, reflecting an increase in gross profit at Liggett of \$19,387 offset by the absence of Liggett-Ducat due to the sale of Western Tobacco Investments. For the three months ended September 30, 2001, Liggett's premium brands contributed 19.2% and discount brands contributed 80.8% to the Company's gross tobacco profit. Over the same period in 2000, Liggett's premium brands contributed 9.8%, Liggett's discount brands contributed 87.6% and Liggett-Ducat contributed 2.5% to the Company's gross profit.

Gross profit at Liggett of \$125,340 for the three months ended September 30, 2001 increased \$19,837 from gross profit of \$105,503 for the third quarter of 2000, due primarily to the price increases and manufacturing efficiencies discussed above. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett decreased to 82.3% for the three months ended September 30, 2001 compared to 87.5% for the same period in 2000, with gross profit for the premium segment at 89.6% in the 2001 period compared to 88.0% in the 2000 period. Gross profit for the discount segment decreased 80.7% for the three months ended September 30, 2001 compared to 87.5% for the three months ended September 30, 2000. This decrease is primarily due to the inclusion of the payment obligation under the Master Settlement Agreement ("MSA") in cost of goods sold which is based on management's estimate of current sales volume.

Broker-Dealer and Real Estate Revenues. For the three months ended September 30, 2001, Ladenburg's revenues were \$18,297 and real estate revenues were \$2,538 compared to revenues of \$13,009 at Ladenburg and \$778 from real estate activities for the three months ended September 30, 2000. Ladenburg's revenues increased due to the inclusion of the results of LTS acquired on May 7, 2001. Revenues from real estate increased primarily due to the inclusion of rental revenue of \$2,067 from Western Realty Development offset by lower revenues as a result of the sale of one of New Valley's two U.S. shopping centers.

Expenses. Operating, selling, general and administrative expenses were \$137,737 for the three months ended September 30, 2001 compared to \$114,696 for the same period last year, an increase of \$23,041 primarily due to increased expenses at Liggett of \$11,123, increased expenses at Vector Tobacco of \$7,797, an increase of \$8,812 at New Valley and an increase in corporate of \$4,650 partially offset by the absence of expenses at Liggett-Ducat. The increase in operating expenses at Liggett was due primarily to higher spending for promotional and marketing programs. Expenses at Vector Tobacco for the three months ended September 30, 2001 were \$10,574 compared to expenses of \$2,777 in the prior year period. The increase at Vector Tobacco was due to increased expenses of product development and marketing for the planned new products, Omni and Omni Nicotine Free. Increased expenses at New Valley were due primarily to increases in brokerage and clearing expense and increased compensation associated with the acquired operations of LTS.

Other Income (Expenses). For the three months ended September 30, 2001, other expense was \$3,007 compared to income of \$247,299 for the period ended September 30, 2000. Expense in the 2001 period consisted primarily of interest expense of \$5,603 offset by interest and dividend income of \$3,558. Income in the 2000 period consisted primarily of the gain of \$193,077 recognized by the Company on the sale of Western Tobacco Investments and the income of \$52,427 recognized on the sale by New Valley through its joint venture, Western Realty Development.

Income from Continuing Operations. The income from continuing operations for the three months ended September 30, 2001 was \$7,369 compared to income of \$158,689 for the three months ended September 30, 2000 and includes income tax expense of \$3,391 and minority interests in losses of subsidiaries of \$5,179 for the third quarter of 2001 compared to taxes of \$76,539 and minority interests in income of subsidiaries of \$19,423 for the for the third quarter of 2000. The effective tax rates for the three months ended September 30, 2001 and

September 30, 2000 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses in 2001 and foreign taxes in 2000.

Nine Months Ended September 30, 2001 Compared to Nine Months Ended September 30, 2000

Revenues. Total revenues were \$577,747 for the nine months ended September 30, 2001 compared to \$565,889 for the nine months ended September 30, 2000. This 2.1% (\$11,858) increase in revenues was due to a \$116,898 or 29.6% increase in revenues at Liggett and an increase of \$2,223 in revenues from New Valley offset by the loss in revenues of Liggett-Ducat (\$107,263 in the prior year period) due to the sale of Western Tobacco Investments on August 4, 2000.

Tobacco Revenues. Tobacco revenues at Liggett increased for both the premium and discount segments due to a 38.0% (\$149,945) gain in unit sales volume (approximately 1,724.6 million units) and to price increases of \$22,914, discussed above, offset by \$55,961 in unfavorable sales mix.

Premium sales at Liggett for the nine months ended September 30, 2001 amounted to \$67,199 and represented 13.1% of total Liggett sales, compared to \$44,910 and 11.4% of total sales for the same period in 2000. In the premium segment, revenues increased by 49.6% (\$22,289) over the nine months ended September 30, 2001, compared to the same period in 2000, due to a favorable volume variance of \$14,550, reflecting a 32.4% increase in unit sales volume (approximately 134.0 million units), helped by the rollouts of Jade and Eve 100 in the third quarter, along with price increases of \$7,739.

Liggett's discount sales over the nine-month period in 2001 amounted to \$444,351 and represented 86.9% of total Liggett sales, compared to \$349,742 and 88.6% of total Liggett sales for the same period in 2000. In the discount segment, revenues grew by 27.1% (\$94,609) over the nine months ended September 30, 2001 compared to the same period in 2000, due to a 38.6% gain in unit sales volume (approximately 1,590.6 million units) accounting for \$134,844 in positive volume variance and price increases of \$15,175, partially offset by an unfavorable product mix of \$55,410.

For the nine months ended September 30, 2001, fixed manufacturing costs on a basis comparable to the same period in 2000 were \$372 lower with costs per thousand units of \$1.78 per thousand which declined by \$0.84 (32.1%) from the previous period's \$2.62, concurrent with a 43.1% increase in production volume. On a per-thousand unit basis, fixed payroll expense and indirect labor of \$0.94 for the nine-month period ended September 30, 2001 decreased from \$1.18 in the prior year (20.3%), while fixed non-payroll expenses declined to \$0.85 from \$1.44 in the prior year period (41.0%) with the relocation of the Liggett manufacturing facility to Mebane, NC.

Tobacco Gross Profit. Gross profit was \$345,776 for the nine months ended September 30, 2001 compared to \$288,911 for the nine months ended September 30, 2000, an increase of \$56,865 or 19.7% when compared to the same period last year, due primarily to volume and price increases and manufacturing efficiencies at Liggett offset by the absence of Liggett-Ducat due to its sale discussed above. Liggett's premium brands contributed 15.1% to the Company's gross profit and the discount segment contributed 84.9% for the nine months ended September 30, 2001. Over the same period in 2000, Liggett's premium brands contributed 11.4%, the discount segment contributed 83.3% and Liggett-Ducat contributed 5.3%.

Liggett's gross profit of \$345,326 for the nine months ended September 30, 2001 increased \$71,794 from gross profit of \$273,532 for the same period in 2000. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett decreased to 85.1% for the nine months



ended September 30, 2001 compared to 85.6% for the same period in 2000, with gross profit for the premium segment at 89.9% and 86.7% in the nine months ended September 30 of 2001 and 2000, respectively, and gross profit for the discount segment at 84.3% and 85.5% in 2001 and 2000, respectively. This overall decrease is due to the inclusion in cost of goods sold of the payment obligation under the MSA based on management's estimate of current sales volume and the steep rise in sales of Liggett Select, a deep-discount brand.

Broker-Dealer and Real Estate Revenues. New Valley's broker-dealer revenues were \$58,593 and real estate revenues were \$7,604 for the nine months ended September 30, 2001. This compares to revenues in the 2000 period of \$61,605 at Ladenburg and \$2,369 from real estate activities.

Expenses. Operating, selling, general and administrative expenses were \$386,878 for the nine months ended September 30, 2001 compared to \$325,610 for the prior year period. The increase of \$61,268 was due primarily to a \$35,090 increase in expenses at Liggett, a \$15,819 increase in expenses at Vector Tobacco and additional expenses of \$9,541 at New Valley offset by the absence of expenses of Liggett-Ducat due to the sale of Western Tobacco Investments. The increase in operating expenses at Liggett was due primarily to higher spending for promotional and marketing programs. Expenses at Vector Tobacco for the nine months ended September 30, 2001 were \$21,790, compared to expenses of \$5,971 for the prior year period. The increase at Vector Tobacco was due to increased expenses of product development and marketing for Vector Tobacco's planned new Omni and Omni Nicotine Free products. Increased expenses at New Valley were due primarily to increased brokerage and clearing expenses offset by decreased employee compensation expense and to inclusion of expenses from Western Realty Development offset by lower expenses as a result of the sale of the shopping center and lower expenses for BrookeMil.

For the nine months ended September 30, 2001, Liggett operating income was reduced by \$9,723 of expense relating to the Engle class action. As discussed in Note 11 to Vector's consolidated financial statements, on May 7, 2001, Liggett reached an agreement with the class in the Engle case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. As a result, Vector recorded a \$9,723 pre-tax charge to the consolidated statement of operations for the first quarter of 2001.

Other Income (Expenses). Other income was \$107 for the nine months ended September 30, 2001 compared to other income of \$233,138 for the nine months ended September 30, 2000. Interest and dividend income of \$7,777 and a gain on sales of assets of \$2,187 were offset primarily by interest expense. For the nine months ended September 30, 2000, the Company recognized a gain of \$193,077 on the sale of Western Tobacco Investments and New Valley recognized \$52,512 on the sale through its interest in the joint venture, Western Realty Development.

Interest expense was \$9,134 for the nine months ended September 30, 2001 compared to \$29,643 for the same period in the prior year. The overall decrease of \$20,509 was largely due to the repurchase of all of the VGR Holding 15.75% senior secured notes in 2000.

Income from Continuing Operations. The income from continuing operations for the nine months ended September 30, 2001 was \$20,891 compared to income of \$162,281 for the nine months ended September 30, 2000. Income tax expense was \$13,410 and minority interests in losses of subsidiaries were \$9,099 for the nine months ended September 30, 2001. This

compared to tax expense of \$78,853 and minority interests in income of subsidiaries of \$19,279 for the nine months ended September 30, 2000. The effective tax rates for the nine months ended September 30, 2001 and September 30, 2000 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses in 2001 and foreign taxes in 2000.

#### CAPITAL RESOURCES AND LIQUIDITY

Net cash and cash equivalents increased \$76,994 for the nine months ended September 30, 2001 and increased \$133,171 for the nine months ended September 30, 2000. Net cash provided by operations for the nine months ended September 30, 2001 was \$14,753 compared to net cash used in operations of \$11,042 for the comparable period of 2000. Cash provided by operations for the nine months ended September 30, 2001 resulted primarily from increased net income at Liggett offset by product development costs at Vector Tobacco and a loss at New Valley. Cash used in the 2000 period for operating activities resulted principally from lower net income at Liggett and Liggett-Ducat and a gain on the sale of securities at New Valley offset by a reduction in debt service due to the Company's repurchase of \$150,294 of the VGR Holding senior secured notes.

Cash used in investing activities of \$185,989 compares to cash provided of \$307,171 for the nine months ended September 30, 2001 and 2000, respectively. For the nine months ended September 30, 2001, cash was used primarily for investment in debt securities at Vector of \$151,129 and investment in equity securities at New Valley 8,252 and for capital expenditures, including purchase of real estate, of \$51,003, principally at Vector Tobacco. In addition, there was a purchase of long-term investments of \$5,747. These expenditures were offset primarily by \$8,599 of sales of businesses and assets including the proceeds from the sale of one of New Valley's shopping centers, sales at Liggett of a warehouse facility, machinery and equipment, the sale or maturity of investments of \$10,634 and cash acquired in the acquisition by New Valley of LTS of \$5,151. For the nine months ended September 30, 2000, the majority of the proceeds, \$366,125, were attributable to the sale of Western Tobacco Investments and the sale or maturity of investment securities. This was offset primarily by capital expenditures at Liggett of \$11,902, Liggett-Ducat of \$14,394 and New Valley of \$3,008 and the purchase of investment securities at New Valley of \$24,059.

Cash provided by financing activities was \$248,230 for the nine months ended September 30, 2001 compared to cash used of \$162,848 for the nine months ended September 30, 2000. In the 2001 period, proceeds from debt were \$268,970 offset by repayments on debt of \$22,368 and net repayments on the revolving credit facilities of \$19,374. In addition, cash was provided by the issuance of common stock of \$50,000 as well as the exercise of warrants and options of \$16,042. This was offset by distributions on common stock of \$34,024, deferred financing charges of \$9,201 and decreases of \$2,028 in margin loans payable. Cash in the 2000 period was used primarily to redeem all outstanding VGR Holding notes and to repay the participating loan and amounts related to the sale of Western Tobacco Investments to Western Realty Development. In addition, distributions on common stock were \$20,249.

Liggett. Liggett has a \$35,000 credit facility under which \$0 was outstanding at September 30, 2001. Availability under the facility was approximately \$29,003 based on eligible collateral at September 30, 2001. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above First Union's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate, bore a rate of 7.5% at September 30, 2001. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment

of the dividend, and after giving effect to the dividend, is at least \$5,000. In addition, the facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below \$8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of \$17,000 as computed in accordance with the agreement). At September 30, 2001, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$31,720 and net working capital was \$24,648, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

During 1999, 100 Maple Lane LLC, a new company formed by Liggett to purchase an industrial facility in Mebane, North Carolina, borrowed \$5,040 from the lender under Liggett's credit facility. In July 2001, Liggett borrowed additional \$2,340 under the loan, and a total of \$6,090 was outstanding at September 30, 2001. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of \$75 including annual interest at 1% above the prime rate with a final payment of \$1,875. Liggett has guaranteed the loan, and a first mortgage on the Mebane property collateralizes the Maple Lane loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

In January 1999, Liggett purchased equipment for \$5,750 and borrowed \$4,500 to fund the purchase. The loan, which was collateralized by the equipment and guaranteed by VGR Holding and the Company, was payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550. The loan was repaid in July 2001 in connection with the sale of the equipment. In March 2000, Liggett purchased equipment for \$1,000 under a capital lease which is payable in 60 monthly installments of \$21 with an effective annual interest rate of 10.14%. In April 2000, Liggett purchased equipment for \$1,071 under two capital leases which are payable in 60 monthly installments of \$22 with an effective interest rate of 10.20%.

Liggett (and, in certain cases, Brooke Group Holding, Vector's 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. Vector believes, and has been so advised by counsel handling the respective cases, that Brooke Group Holding and Liggett have a number of valid defenses to claims asserted against them. Litigation is subject to many uncertainties. An unfavorable verdict was returned in the first phase of the Engle smoking and health class action trial pending in Florida. In July 2000, the jury awarded \$790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the \$3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the Engle case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the Engle case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. An unfavorable outcome of a pending smoking and health case could encourage the commencement

of additional similar litigation. In recent years, there have been a number of adverse regulatory, political and other developments concerning cigarette smoking and the tobacco industry. These developments generally receive widespread media attention. Neither Vector nor Liggett is able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation or regulation. See Note 11 to Vector's 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 Vector's consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

Vector Research. In February 2001, a subsidiary of Vector Research Ltd. purchased equipment for \$15,500 and borrowed \$13,175 to fund the purchase, of which \$12,933 was outstanding at September 30, 2001. The loan, which is collateralized by the equipment and a letter of credit from Vector for \$775, is guaranteed by Vector Research, VGR Holding and Vector. The loan is payable in 120 monthly installments of \$125 including annual interest of 7.78% with a final payment of \$6,125.

Vector Tobacco. In June 2001, Vector Tobacco purchased for \$8,400 an industrial facility in Roxboro, North Carolina. Vector Tobacco financed the purchase with an \$8,200 loan, of which \$8,030 was outstanding at September 30, 2001. The loan is payable in 60 monthly installments of \$85, including annual interest at 4.85% above the LIBOR rate, with a final payment of approximately \$3,160. The loan, which is collateralized by a mortgage and a letter of credit of \$1,750, is guaranteed by VGR Holding and Vector.

VGR Holding. On May 14, 2001, VGR Holding issued at a discount \$60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement. VGR Holding received net proceeds from the offering of approximately \$46,500.

The notes are collateralized by substantially all of VGR Holding's assets, including a pledge of VGR Holding's equity interests in its direct subsidiaries, including Brooke Group Holding, Brooke (Overseas), 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 among other things, limit the ability of VGR Holding to make distributions to Vector to 50% of VGR Holding's net income, unless VGR Holding holds \$50,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of VGR Holding, Liggett and Vector Tobacco to 250% of EBITDA (as defined in the purchase agreement) for the trailing 12 months, restrict transactions with affiliates subject to exceptions which include payments to Vector not to exceed \$9,500 per year for permitted operating expenses, and limit the ability of VGR Holding to merge, consolidate or sell certain assets.

Prior to May 24, 2003, VGR Holding may redeem up to \$21,000 of the notes at a redemption price of 105% of the accreted value with proceeds from one or more equity offerings. VGR Holding may redeem the notes, in whole or in part, at a redemption price of 103% of accreted value in the year beginning May 14, 2003, 102% of accreted value in the year beginning May 14, 2004 and 100% of accreted value after May 14, 2005. During the term of the notes, VGR Holding is required to offer to repurchase all the notes at a purchase price of 101% of accreted value, in the event of a change of control, and to offer to repurchase notes, at the redemption prices, with the proceeds of material asset sales.

Vector. Vector believes that it will continue to meet its liquidity requirements through 2001. Corporate expenditures (exclusive of Liggett and New Valley) over the next twelve months for current operations include cash interest expense of approximately \$17,000, dividends on Vector's

shares (currently at an annual rate of approximately \$51,000) and corporate expenses. Vector anticipates funding its expenditures for current operations with available cash resources, the proceeds from the 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.

During the second and third quarters of 2001, Vector issued approximately 4,600,000 shares of its common stock in connection with the sale of common stock to an investment entity owned by Carl C. Icahn and on exercise of warrants and options by other persons and entities. Vector received proceeds of approximately \$66,500 from these issuances of common stock.

In July 2001, Vector completed the sale of \$172,500 of its 6.25% Convertible Subordinated Notes due 2008. Vector intends to use the net proceeds of the offering of notes, together with the proceeds from the placement of VGR Holding's senior secured notes and the \$50 million investment in Vector's common stock by an entity owned by Mr. Icahn, for general corporate purposes, including the funding of the planned advertising and promotion of Vector Tobacco's new OMNI and OMNI Nicotine Free cigarette products and the pursuit of strategic acquisitions by Liggett of smaller tobacco manufacturers.

#### MARKET RISK

The Company is exposed to market risks principally from fluctuations in interest rates, foreign currency exchange rates and equity prices. The Company seeks to minimize these risks through its regular operating and financing activities and its long-term investment strategy.

##### Foreign Market Risk

BrookeMil's and Western Realty Development's operations are conducted in Russia. The Russian Federation continues to experience economic difficulties following the financial crisis of August 1998. Consequently, the country's currency continues to devalue, there is continued volatility in the debt and equity markets, hyperinflation persists, confidence in the banking sector has yet to be restored and there continues to be a general lack of liquidity in the economy. In addition, laws and regulations affecting businesses operating within the Russian Federation continue to evolve.

The Russian Federation's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of international lending organizations, and other actions, including regulatory and political developments, which are beyond Vector's control. The Company's Russian operations may be significantly affected by these factors for the foreseeable future.

##### Domestic Market Risk

New Valley's market risk management procedures cover all market risk sensitive financial instruments.

Current and proposed underwriting, corporate finance, merchant banking and other commitments at LTS are subject to due diligence reviews by LTS's senior management, as well as professionals in the appropriate business and support units involved. Credit risk related to various financing activities is reduced by the industry practice of obtaining and maintaining collateral. LTS monitors its exposure to counterparty risk through the use of credit exposure information, the monitoring of collateral values and the establishment of credit limits.

Equity Price Risk. LTS maintained inventories of trading securities at September 30,

2001 with fair values of \$8,724 in long positions and \$2,283 in short positions. LTS performed an entity-wide analysis of its financial instruments and assessed the related risk and materiality. Based on this analysis, in the opinion of management the market risk associated with the LTS's financial instruments at September 30, 2001 will not have a material adverse effect on the consolidated financial position or results of operations of Vector.

New Valley held investment securities available for sale totaling \$20,975 at September 30, 2001. Adverse market conditions could have a significant effect on the value of New Valley's 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 June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Vector adopted SFAS No. 133 on January 1, 2001, the effect of which did not have a material impact on its balance sheet since Vector is not engaged in significant hedging activities.

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

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 requires that certain expenses included in operating, selling, administrative and general expenses be recorded as a reduction of operating revenues and will be effective in the first quarter of 2002. The Company is currently in the process of determining the impact of EITF Issue No. 00-25 which is expected to result in a significant reduction of revenues.

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

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and requires (i)

the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently assessing the impact, if any, on the adoption of this statement.

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company and its representatives may from time to time make oral or written "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995, including any statements that may be contained in the foregoing discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this report and in other filings with the Securities and Exchange Commission and in its reports to stockholders, which reflect management's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties and, in connection with the "safe-harbor" provisions of the Private Securities Reform Act, the Company has identified under "Risk Factors" in Item 1 of the Company's Form 10-K for the year ended December 31, 2000 filed with the Securities and Exchange Commission important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company.

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. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

PART II  
OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Note 11, incorporated herein by reference, to the Company's consolidated financial statements included elsewhere in this Report on Form 10-Q which contains a general description of certain legal proceedings to which Brooke Group Holding, VGR Holding, New Valley or their subsidiaries are a party and certain related matters. Reference is also made to Exhibit 99.1 for additional information regarding the pending smoking-related material legal proceedings to which Brooke Group Holding and/or Liggett are party. A copy of Exhibit 99.1 will be furnished to security holders of the Company and its subsidiaries without charge upon written request to the Company at its principal executive offices, 100 S.E. Second St., Miami, Florida 33131, Attn. Investor Relations.

Item 2. Changes in Securities and Use of Proceeds

No securities of the Company which were not registered under the Securities Act of 1933, as amended, have been issued or sold by the Company during the three months ended September 30, 2001, except for (i) the private offering of 6.25% convertible subordinated notes due 2008 to qualified institutional investors pursuant to Rule 144A under the Securities Act of 1933, (ii) the grants of stock options to employees of the Company and/or its subsidiaries as described in Note 10 to the Company's consolidated financial statements and (iii) the issuance of shares in connection with the Company's 5% stock dividend paid on September 28, 2001. The grants of stock options were effected in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933 and the issuance of the shares in connection with the stock dividend did not involve a "sale" under the Securities Act of 1933.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- \* 10.1 Indenture, dated as of July 5, 2001, between Vector Group Ltd. and U.S. Bank Trust National Association, as Trustee, relating to the 6.25% Convertible Subordinated Notes due 2008 (the "Notes"), including the form of Note (incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated July 16, 2001).
- \* 10.2 Registration Rights Agreement, dated as of July 5, 2001, by and between Vector Group Ltd. and Jefferies & Company, Inc. (incorporated by reference to Exhibit 10.2 in the Company's Form 8-K dated July 16, 2001).
- 10.3 First Amendment to Collateral Agency Agreement, dated as of September 4, 2001, by and among VGR Holding Inc., Brooke Group Holding Inc., Vector Group Ltd., New Valley Holdings, Inc. and The Bank of New York, as collateral agent.



- 10.4 First Amendment to Note Purchase Agreement, dated as of November 6, 2001, by and between VGR Holding Inc. and TCW Leveraged Income Trust, L.P., TCW Leveraged Income Trust II, L.P., TCW Linc III CBO, Ltd., AIMCO CDO, Series 2000-A, POWRS 1997-2 and Captiva II Finance Ltd.
- 99.1 Material Legal Proceedings.
- \* 99.2 New Valley Corporation's Interim Consolidated Financial Statements for the quarterly periods ended September 30, 2001 and 2000 (incorporated by reference to New Valley's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001, Commission File No. 1-2493).

- -----  
 \* Incorporated by reference

(b) Reports on Form 8-K

The Company filed the following Reports on Form 8-K during the third quarter of 2001:

DATE -----	ITEMS -----	FINANCIAL STATEMENTS -----
July 2, 2001	5, 7	None
July 16, 2001	5, 7	None
July 25, 2001	5, 7	None
August 22, 2001	5, 7	None

SIGNATURES

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

VECTOR GROUP LTD.  
(REGISTRANT)

By: /s/ Joselynn D. Van Siclen

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

Date: November 14, 2001

## FIRST AMENDMENT TO COLLATERAL AGENCY AGREEMENT

This First Amendment to Collateral Agency Agreement (this "AMENDMENT") is made and entered into as of September 4, 2001 by and among (i) VGR Holding Inc., a Delaware corporation (formerly known as BGLS Inc., the "COMPANY"), (ii) Brooke Group Holding Inc., a Delaware corporation ("BROOKE HOLDING"), (iii) Vector Group Ltd., a Delaware corporation ("VECTOR"), (iv) New Valley Holdings, Inc., a Delaware corporation ("NV HOLDINGS"), (parties (i) through (iv) the "COMPANY PARTIES"), (v) The Bank of New York, a New York banking corporation as successor in interest to United States Trust Company of New York, a New York banking corporation as collateral agent (the "COLLATERAL AGENT") appointed pursuant to the Collateral Agency Agreement dated May 14, 2001 (the "AGREEMENT") with reference to that certain Note Purchase Agreement (the "NOTE PURCHASE AGREEMENT") dated as of May 14, 2001 under which the Company has issued to the purchasers (the "PURCHASERS") \$60,000,000 in aggregate principal amount of the Company's 10% Senior Secured Notes due March 31, 2006 (the "NOTES") and (vi) the Holders (as defined below) of the Notes listed on the signature pages hereto. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Agreement.

## RECITALS

WHEREAS, the obligations of the Company under the Notes and the Note Purchase Agreement are secured by the Security Agreements;

WHEREAS, pursuant to the Security Agreements, the Company Parties have granted to the Collateral Agent, for the benefit of the holders of the Notes (the "HOLDERS"), a security interest in and liens on the Collateral (as defined in the Note Purchase Agreement);

WHEREAS, the Company is changing its name from BGLS Inc. to VGR Holding Inc;

WHEREAS, the Uniform Commercial Code financing statements on file relating to the Collateral will need to be amended to reflect the Company's name change in order to maintain the perfected security interest of the Collateral Agent in the Collateral in which a security interest may be perfected by filing Uniform Commercial Code financing statements;

WHEREAS, it is a specific duty of the Collateral Agent, pursuant to SECTION 3.01(A) of the Agreement, to maintain the perfection of any lien in, to or upon the Collateral or any portion thereof, that has been, are or will be granted in favor of the Collateral Agent pursuant to the Security Agreements;

WHEREAS, this duty can be more effectively performed by amending the Agreement to authorize the Collateral Agent to file the Uniform Commercial Code financing statements and amendments to the Uniform Commercial Code financing statements it deems reasonably necessary at any time and for any reason including without limitation a change in the name of any Company Party; and

WHEREAS, the parties listed above wish to amend the Agreement to give the Collateral Agent such authorization.

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

AGREEMENT

1. AMENDMENT OF SECTION 3.01. Section 3.01 is amended as follows:

- a. The word "and" is omitted from the end of clause (i).
- b. The period is omitted from the end of clause (j) and is replaced with "; and".
- c. 3.01 (k) is added which shall read in its entirety:  
"The Majority Holders may instruct the Collateral Agent from time to time to file or record Uniform Commercial Code financing statements and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Majority Holders reasonably determine appropriate to perfect or to ensure the continuing perfection or priority of the security interest in favor of the Collateral Agent."

2. AMENDMENT OF SECTION 3.03. Section 3.03 shall be amended as follows:

- a. The word "and" is omitted from the end of clause (b).
- b. The period is omitted from the end of clause (c) and is replaced with "; and".
- c. Section 3.03 (d) is added which shall read in its entirety: "The Collateral Agent is authorized to file or record from time to time Uniform Commercial Code financing statements and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Collateral Agent may be specifically instructed by the Majority Holders to file or record, to perfect or to ensure the continuing perfection or priority of the security interest in favor of the Collateral Agent. The Collateral Agent shall have no obligation to make any independent investigation or determination as to the necessity or propriety of filing any such financing statements or other documents. However, if at any time, the Collateral Agent receives actual notice or is advised by in-house or outside legal counsel that it is necessary or proper to file any such financing statement or other document to perfect or to ensure the continuing perfection or priority of the security interest in favor of the Collateral Agent, then the Collateral Agent shall be obligated to so inform the Majority Holders, and the Majority Holders shall thereupon instruct the Collateral Agent to take, or refrain from taking, as the case may be, any action with respect to such filing. In the event that the Majority Holders fail to so instruct the Collateral Agent, the Majority Holders shall be deemed to have instructed the Collateral Agent to take no action."

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

4. HEADINGS. The section and other headings contained in this Amendment are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

5. CHOICE OF LAW. This Amendment shall be construed and enforced in accordance with, and governed by the law of the State of New York.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6. NO OTHER AMENDMENTS: CONFIRMATION. Except as expressly amended, modified and supplemented hereby, the provisions of the Collateral Agency Agreement and the other Note Documents are and still remain in full force and effect.

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

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

VGR HOLDING INC.

By: /s/ Richard J. Lampen

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

BROOKE GROUP HOLDING INC.

By: /s/ Richard J. Lampen

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

VECTOR GROUP LTD.

By: /s/ Richard J. Lampen

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



NEW VALLEY HOLDINGS, INC.

By: /s/ Richard J. Lampen

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

THE BANK OF NEW YORK,  
as successor in interest to  
UNITED STATES TRUST COMPANY OF NEW YORK,  
as Collateral Agent

By: /s/ Patricia Gallagher

-----  
Name: Patricia Gallagher  
Title: Authorized Signatory

TCW LEVERAGED INCOME TRUST, L.P.,  
By: TCW Advisers (Bermuda), Ltd.,  
as its General Partner

By: /s/ Melissa V. Weiler

-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: TCW Investment Management Company,  
as Investment Adviser

By: /s/ Darryl L. Schall

-----  
Name: Darryl L. Schall  
Title: Managing Director

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

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

By: /s/ Melissa V. Weiler

-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: TCW Investment Management Company,  
as Investment Adviser

By: /s/ Darryl L. Schall

-----  
Name: Darryl L. Schall  
Title: Managing Director

TCW LINC III CBO LTD.  
By: TCW Investment Management Company,  
as Collateral Manager

By: /s/ Melissa V. Weiler  
-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: Darryl L. Schall  
-----  
Name: Darryl L. Schall  
Title: Managing Director

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

By: Citibank Global Asset Management,  
Its Investment Advisor

By: TCW Asset Management Company,  
Its Portfolio Manager

By: /s/ Melissa V. Weiler

-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: /s/ Darryl L. Schall

-----  
Name: Darryl L. Schall  
Title: Managing Director

CAPTIVA II FINANCE LTD.,  
By: TCW Advisors, Inc.  
Its Financial Manager

By: /s/ Melissa V. Weiler  
-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: /s/ Darryl L. Schall  
-----  
Name: Darryl L. Schall  
Title: Managing Director

AIMCO CDO, SERIES 2000-A  
By: Allstate Investment Management Company,  
Its Collateral Manager  
By: TCW Asset Management Company,  
Its Investment Advisor

By: /s/ Melissa V. Weiler  
-----  
Name: Melissa V. Weiler  
Title: Managing Director

By: /s/ Darryl L. Schall  
-----  
Name: Darryl L. Schall  
Title: Managing Director



FIRST AMENDMENT TO  
NOTE PURCHASE AGREEMENT

This First Amendment to Note Purchase Agreement is dated as of November 6, 2001 (this "FIRST AMENDMENT") and amends the Note Purchase Agreement, dated as of May 14, 2001 (the "NOTE PURCHASE AGREEMENT"), by and between VGR Holding Inc. (formerly known as BGLS Inc.), a Delaware corporation (the "COMPANY"), and the other signatories hereto who collectively are the Majority Holders as defined in the Note Purchase Agreement.

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

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

## 1. AMENDMENTS TO NOTE PURCHASE AGREEMENT.

a. SECTION 8.9. Section 8.9 of the Note Purchase Agreement is hereby amended by deleting the third, fourth, fifth and sixth paragraphs therein in their entirety.

b. SCHEDULE B. Schedule B to the Note Purchase Agreement is hereby amended by deleting the definition of "TAX SHARING ATTRIBUTES" in its entirety.

c. EXHIBIT 8.9. Exhibit 8.9 to the Note Purchase Agreement is hereby deleted in its entirety.

2. CONDITIONS TO EFFECTIVENESS. This First Amendment shall become effective on the date (the "EFFECTIVE Date") on which each of the Company and the Majority Holders shall have executed and delivered this First Amendment.

3. REPRESENTATIONS AND WARRANTIES. The Company hereby represents and warrants that as of the Effective Date the representations and warranties made by it in the Note Documents to which it is a party are true and correct in all material respects on and as of the Effective Date as if made on and as of the Effective Date.

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

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

6. AFFIRMATION OF PLEDGE AGREEMENTS. Each of Brooke Holding and NV Holdings hereby consents to the execution and delivery of this First Amendment and reaffirms its obligations under the Brooke Holding Pledge Agreement and the NV Holdings Pledge Agreement, respectively.

7. SUCCESSORS. All agreements of the parties to this First Amendment shall bind their respective successors.

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

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

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

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

[SIGNATURE PAGES FOLLOW]

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

VGR HOLDING INC.

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

BROOKE GROUP HOLDING INC.

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

NEW VALLEY HOLDINGS, INC.

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

TCW LEVERAGED INCOME TRUST, L.P.

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

By: /s/ Darryl L. Schall

-----  
Name: Darryl L. Schall  
Title: Managing Director

By: TCW Investment Management Company  
as Investment Adviser

By: /s/ James M. Hassett

-----  
Name: James M. Hassett  
Title: Managing Director

TCW LEVERAGED INCOME TRUST II, L.P.

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

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

By: /s/ Darryl L. Schall

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Name: Darryl L. Schall  
Title: Managing Director

By: TCW Investment Management Company  
as Investment Adviser

By: /s/ James M. Hassett

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Name: James M. Hassett  
Title: Managing Director

TCW LINC III CBO LTD.

By: TCW Investment Management Company  
as Collateral Manager

By: /s/ Darryl L. Schall

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Name: Darryl L. Schall  
Title: Managing Director

By: /s/ James M. Hassett

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Name: James M. Hassett  
Title: Managing Director

AIMCO CDO, SERIES 2000-A

By: Allstate Investment Management Company  
Its Collateral Manager

By: TCW Asset Management Company  
Its Investment Advisor

By: /s/ Darryl L. Schall

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Name: Darryl L. Schall  
Title: Managing Director

By: /s/ James M. Hassett

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Name: James M. Hassett  
Title: Managing Director

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

By: Citibank Global Asset Management  
Its Investment Advisor

By: TCW Asset Management Company  
Its Portfolio Manager

By: /s/ Darryl L. Schall

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Name: Darryl L. Schall  
Title: Managing Director

By: /s/ James M. Hassett

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Name: James M. Hassett  
Title: Managing Director



CAPTIVA II FINANCE LTD.

By: TCW Advisors, Inc.  
Its Financial Manager

By: /s/ Darryl L. Schall

-----  
Name: Darryl L. Schall  
Title: Managing Director

By: /s/ James M. Hassett

-----  
Name: James M. Hassett  
Title: Managing Director

## I. GOVERNMENTAL HEALTH CARE RECOVERY ACTIONS

The Navajo Nation v. Philip Morris, Incorporated, et al., Case No. WR-CV-449-99, District Court of the Navajo Nation, Judicial District of Window Rock, Arizona (case filed 8/11/99). The Navajo nation seeks civil penalties, damages, remediation through tobacco education and anti-addiction programs, injunctive relief, attorney's fees and cost.

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).

Pechanga Band of Luiseno Mission Indians, et al. v. Philip Morris, Inc., et al., Case No. 725419, Superior Court of California, County of San Diego (case filed 10/30/98). This personal injury class action is brought on behalf of plaintiff tribe and all similarly situated American Indian smokers resident in California.

People of the State of California, et al. v. Philip Morris Incorporated, et al., Case No. 980-864, Superior Court of California, County of San Francisco (case filed 8/5/98). People seek injunctive relief and economic reimbursement with respect to damages allegedly caused by environmental tobacco smoke (ETS).

Republic of Guatemala v. The Tobacco Institute, Inc., et al., Case No. 1:98CV01185, USDC, District of Columbia (case filed 5/18/98). The Republic of Guatemala seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

Ukraine v. American Brands, et al., Case No. 1:99CV03080, USDC, District of Columbia (case filed 11/19/99). Ukraine seeks compensatory and injunctive relief for damages incurred by the country in paying for the healthcare expenses of resident smokers.

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 health care costs paid for and furnished, and to be paid for and furnished, by the federal government through Medicare and otherwise, for lung cancer, heart disease, emphysema and other tobacco-related illnesses. In October 2000, the District Court dismissed the government's claims pursuant to the Medicare Secondary Payor Act and the Medical Cost Recovery Act, but denied motions to dismiss RICO claims.

City of Belford Roxo, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belford Roxo seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

Republic of Belize v. Philip Morris Companies, Inc., et al., Case No. 00-8320-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 4/5/01). The Republic of Belize seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products

Republic of Belize v. Philip Morris Companies, Inc., et al., Case No. 01-10922 CA 10 Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/01). The Republic of Belize seeks reimbursement for damages, injunctive and declaratory relief to recover lost tobacco duties and taxes.

City of Belo Horizonte, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10920-CA-04, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belo Horizonte seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Carapicuíba, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10910-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Carapicuíba seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Duque De Caxias, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10917-CA-13, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Duque De Caxias seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

Republic of Ecuador v. Philip Morris Companies, Inc., et al., Case No. 00-1951-CA-27, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/21/00). The Republic of Ecuador seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products.

Republic of Ecuador v. Philip Morris Companies, Inc., et al., Case No. 00-04653-CA-10, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County. The Republic of Ecuador seeks to recover damages suffered by Ecuador, due to alleged misconduct of Defendants, specifically loss of taxes and violations to Florida RICO Acts.

Republic of Ecuador v. Philip Morris Companies, Inc., et al., Case No. 00-13920-CA-10, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 2/23/01). The Republic of Ecuador seeks to recover damages suffered by Ecuador, due to alleged misconduct of Defendants, specifically loss of taxes and violations to Florida RICO Acts.

The State of Espirito Santo, Brazil v. Brooke Group Ltd., et al., Case No. 00-07472-CA-03, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County. The State of Espirito Santo, Brazil seeks reimbursement for all costs and damages incurred by the State.

The State of Goiás, Brazil v. Philip Morris Companies, Inc., et al., Case No. 99-24202-CA 02, Circuit Court of the 11th Judicial Circuit, State of Florida-Dade County (case filed 10/19/99). The State of Goiás, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

Republic of Honduras v. Philip Morris Companies, Inc., et al., Case No. 01-10921 CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/01). The Republic of Honduras seeks reimbursement for damages, injunctive and declaratory relief to recover lost tobacco duties and taxes.

City of Joao Pessoa, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10919-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Joao Pessoa seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Jundiaí, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10924-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Jundiaí seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The Kyrgyz Republic v. The Brooke Group Ltd., et al., Case No. 01-01740 CA-25, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Kyrgyz Republic seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Mage, Brazil v. Philip Morris Companies, Inc., et al., Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Mage seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Mato Grosso do Sul , Brazil, et al. v. Philip Morris Companies, Inc., et al., Circuit Court of the 11th Judicial Circuit, Florida, Dade County (case filed 7/19/00). The State of Mato Grasso do Sul, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Nilopolis - RJ, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10916-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Nilopolis seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Nova Iguacu - RJ, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10909-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Nova Iguacu seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Para, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10925-CA-23, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Para seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Parana, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10908-CA-02, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Parana seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Piaui, Brazil v. Philip Morris Companies, Inc, et al., Case No. 00-32238 CA 30, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 12/13/00). The State of Piaui, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Rio De Janerio, Brazil v. Philip Morris Companies, Inc., et al., Case No. 01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Rio De Janerio seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Rondonia, Brazil v. Philip Morris Companies, Inc, et al., Case No. 01-10907-CA-09, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Rondonia seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The Russian Federation , et al. v. Philip Morris Companies, Inc, et al., Case No. 00-20918 CA 24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 8/28/00). The Russian Federation seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

City of Sao Bernardo Do Carmo, Brazil v, Philip Morris Companies, Inc., et al., Case No. 01-10918-CA-11, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Sao Bernardo Do Carmo seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

Republic of Tajikistan v. The Brooke Group Ltd., et al., Case No. 01-01736 CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Republic of Tajikistan seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

The State of Tocantins, Brazil, et al. v. The Brooke Group Ltd., Inc., et al., Case No. 00-28101 CA 05, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The State of Tocantins, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

Republic of Venezuela v. Philip Morris Companies, Inc., et al., Case No. 99-01943-CA-01, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/27/99). The Republic of Venezuela seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the Medicaid expenses of indigent smokers.

County of McHenry, et al. v. Philip Morris, Inc., et al., Case No. 00L 007949, Circuit Court, Cook County, Illinois (case filed 7/13/00). County of McHenry seeks monetary damages, civil penalties, declaratory and injunctive relief, restitution, and disgorgement of profits

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.

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's tobacco products.

County of Wayne v. Philip Morris Incorporated, et al., USDC, Eastern District, Michigan., County of Wayne seeks to obtain damages, remediation through tobacco education and anti-addiction programs, injunctive relief, attorneys' fees and costs.

City of St. Louis, et al. v. American Tobacco Company, Inc., et al., Case No. CV-982-09652, Circuit Court, State of Missouri, City of St. Louis, (case filed 12/4/98). City of St. Louis and area hospitals seek to recover past and future costs expended to provide healthcare to Medicaid, medically indigent, and non-paying patients suffering from tobacco-related illnesses.

County of St. Louis, Missouri v. American Tobacco Company, Inc., et al., Case No. 982-09705, Circuit Court, State of Missouri, City of St. Louis, (case filed 12/10/98). County seeks to recover costs from providing healthcare services to Medicaid and indigent patients, as part of the State of Missouri's terms as a party to the Master Settlement Agreement.

Her Majesty the Queen in Right of Ontario, the Minister of Health and Long Term Care v. Imperial Tobacco Limited, et al., Case No. 00CIV1593, USDC, Southern District of New York. Plaintiff brings this federal civil RICO action for the purpose of obtaining recoupment of its tobacco-related health cost, as well as such other relief as will afford a full and complete remedy.

The Sisseton-Wahpeton Sioux Tribe v. The American Tobacco Company, et al., Case No. 030399, Tribal Court of the Sisseton-Wahpeton Sioux Tribe, State of North Dakota (case filed 2/3/99). Indian tribe seeks equitable and injunctive relief for damages incurred by the tribe in paying for the expenses of indigent smokers.

Republic of Nicaragua v. Liggett Group Inc., et al., Case No. 98-2380 RLA, USDC, District of Puerto Rico (case filed 12/10/98). The Republic of Nicaragua seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

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 the various State and Federal health services

Republic of Bolivia v. Philip Morris Companies, Inc., et al., Case No. 6949\*JG99, District Court, State of Texas, Brazoria County, State of Texas (case filed 1/20/99). The Republic of Bolivia seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

The State of Rio de Janerio of The Federated Republic of Brazil v. Philip Morris Companies, Inc., et al., Case No. CV-32198, District of Angelina County, State of Texas (case filed 7/12/99). The State of Rio de Janerio of The Federated Republic of Brazil seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

## II. THIRD-PARTY PAYOR ACTIONS

United Food and Commercial Workers Unions, et al. v. Philip Morris, et al., Case No. CV-97-1340, Circuit Court of Tuscaloosa, Alabama (case filed 11/13/97). 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.

Laborers' and Operating Engineers Utility Agreement v. Philip Morris, et al., Case No. CIV97-1406 PHX, USDC, District of Arizona (case filed 7/29/97). 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.

Arkansas Carpenters Health & Welfare Fund v. Philip Morris, et al., Case No. LR-C-97-0754, USDC, Eastern District of Arkansas (case filed 9/4/97). 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.

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.

Northern California General Teamsters Security Fund, et al. v. Philip Morris, Inc., et al., Case No. 798492-9, Superior Court of California, County of Alameda (case filed 5/22/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Northern California Tile Industry Health & Welfare Trust Fund v. Philip Morris, Inc., et al., Case No. 996822, Superior Court of California, County of San Francisco (case filed 5/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Pipe Trades District Council No. 36 Health and Welfare Trust Fund v. Philip Morris, Inc., et al., Case No. 797130-1, Superior Court of California, County of Alameda (case filed 4/16/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Screen Actors Guild - Producers Health Plan, et al. v. Philip Morris, et al., Case No. DC181603, Superior Court of California, County of Los Angeles (case filed 11/20/97). 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.

Sign, Pictorial and Display Industry Welfare Fund v. Philip Morris, Inc., et al., Case No. 994403, Superior Court of California, County of San Francisco (case filed 4/16/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Stationary Engineers Local 39 Health & Welfare Trust Fund v. Philip Morris, et al., Case No. C-97-1519-DLJ, USDC, Northern District of California (case filed 4/25/97). 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.

Teamsters Benefit Trust v. Philip Morris, et al., Case No. 796931-5, Superior Court of California, County of Alameda (case filed 4/20/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UA Local No. 159 Health and Welfare Trust Fund v. Philip Morris, Inc., et al., Case No. 796938-8, Superior Court of California, County of Alameda (case filed 4/15/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UA Local No. 343 Health and Welfare Trust Fund v. Philip Morris, Inc., et al., Case No. 796956-4, Superior Court of California, County of Alameda. 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.

Holland, et al. v. Philip Morris, Inc., et al., Case No. 1:98CV01716, USDC, District of Columbia (case filed 7/9/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

Obra Social Del Personal, et al. v. American Tobacco Co., Inc., et al., Case No. 01-0002279, Superior Court, District of Columbia (case filed 3/23/2001). Labor unions seeking reimbursement for damages for medical and other relief, allegedly are attributable to the tobacco companies.

S.E.I.U. Local 74 Welfare Fund, et al. v. Philip Morris, Inc., et al., Case No. 1:98CV01569, USDC, District of Columbia (case filed 6/22/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Service Employees International Union Health and Welfare Trust Fund, et al. v. Philip Morris, Inc. et al., Case No. 1:98CV00704, USDC, District of Columbia (case filed 3/19/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Sheet Metal Workers Trust Fund, et al. v. Philip Morris, Inc., et al., Case No. 1:99CV02326, USDC, District of Columbia (case filed 8/31/99). Sheet Metal Workers Trust Fund seeks to obtain injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to their participants and beneficiaries suffering from smoking-related illnesses.

Raymark Industries, Inc. v. Brown & Williamson, et al., Case No. 1:97-CV-2711-RCF, USDC, Northern District of Georgia (case filed 11/5/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

Arkansas Blue Cross and Blue Shield, et al. v. Philip Morris Incorporated, et al., Case No. 98 C 2612, USDC, Northern District of Illinois (case filed 5/22/98). Seven Blue Cross/Blue Shield plans seek injunctive relief and economic reimbursement to recover moneys expended by healthcare plans to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

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.

Central States Joint Board Health & Welfare Fund v. Philip Morris, et al., Case No. 97L12855, USDC, Northern District of Illinois (case filed 10/30/97). 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.

International Brotherhood of Teamsters, Local 734 Health & Welfare Trust Fund v. Philip

Morris, et al., Case No. 97L12852, USDC, Northern District of Illinois (case filed 10/30/97). 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.

Teamsters Union No. 142, et al. v. Philip Morris, et al., Case No. 71C019709CP01281, USDC, Northern District of Indiana (case filed 9/15/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Union Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Carpenters & Joiners Welfare Fund, et al. v. Philip Morris, et al., Case No. 60,633-001, USDC, District of Minnesota (case filed 12/31/97). Health and Welfare Trust Plan seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Group Health Plan, Inc., et al. v. Philip Morris, et al., Case No. 98-1036 DSD/JMM, USDC, Second Judicial District, Ramsey County, State of Minnesota (case filed 3/13/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.



Gasket Holdings, et al. v. RJR Nabisco, Inc., et al., Case No. 2001-065, Circuit Court, Mississippi, Claiborne County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products..

Kaiser Aluminum & Chemical Corporation, et al v. RJR 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). Manufacture seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

Construction Laborers of Greater St. Louis Welfare Fund, Case No. 4:97CV02030ERW, USDC, Eastern District of Missouri (case filed 12/1/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Contractors, Laborers, Teamsters & Engineers Health & Welfare Plan v. Philip Morris, Inc. et al., Case No. 8:98CV364, USDC, District of Nebraska (case filed 8/17/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Bergeron, et al. v. Philip Morris Inc., et al., Case No. CV 99 6142, USDC, State of New York, Eastern District (case filed 10/8/99). This action seeks is brought on behalf of the trustees and fiduciaries of the Massachusetts State Carpenters Health and Benefits Funds on behalf of themselves and other similarly situated trustees of Taft Hartley Health & Welfare funds.

Betriebskrankenkasse aktiv, et al. v. Philip Morris Incorporated, et al., Case No. CV 00 5413, USDC, New York, Eastern District (case filed 9/8/2000). Eight German health insurance provider seeks injunctive relief and economic reimbursement to recover moneys expended for treatments of tobacco related diseases.

Day Care Council-Local 205 D.C. 1707 Welfare Fund v. Philip Morris, et al., Case No. 606240/97, Supreme Court of New York, New York County (case filed 12/4/97). 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.

Eastern States Health and Welfare Fund, et al. v. Philip Morris, et al., Case No. 603869/97, Supreme Court of New York, New York County (case filed 7/28/97). 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.

IBEW Local 25 Health and Benefit Fund v. Philip Morris, et al., Case No. 122255/97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

IBEW Local 363 Welfare Fund v. Philip Morris, et al., Case No. 122254/97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

Keene Creditors Trust v. Brown & Williamson Tobacco Corp., et al., Case no. 606479/97, Supreme Court of New York, New York County (case filed 12/19/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

Laborers' Local 17 Health Benefit Fund, et al. v. Philip Morris, et al., Case No. 98-7944, 2nd Circuit Court of Appeals, State of New York (case filed 7/17/97). 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 benefactors suffering from smoking-related illnesses.

Local 1199 Home Care Industry Benefit Fund v. Philip Morris, et al., Case No. 606249/97, Supreme Court of New York, New York County (case filed 12/4/97). 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.

Local 1199 National Benefit Fund for Health & Human Services Employees v. Philip Morris, et al., Case No. 606241/97, Supreme Court of New York, New York County (case filed 12/4/97). 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.

Local 138, 138A & 138B International Union of Operating Engineers Welfare Fund v. Philip Morris, et al., Case No. 122257/97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

Local 840 International Brotherhood of Teamsters Health & Insurance Fund v. Philip Morris, et al., Case No. 122256/97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

Long Island Regional Council of Carpenters Welfare Local 840 International Brotherhood of Teamsters Health & Insurance Fund v. Philip Morris, et al., Case No. 122258/97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

National Asbestos Workers Medical Fund, et al. v. Philip Morris Incorporated, et al., Case No. 98-1492, USDC, Eastern District of New York (case filed 3/23/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

Puerto Rican ILGWU Health & Welfare Fund v. Philip Morris, et al., Case No. 604785-97, Supreme Court of New York, New York County (case filed 11/25/97). 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.

Raymark Industries, Inc. v. Brown & Williamson, et al., Case No. 98-CV-675, USDC, Eastern District of New York (case filed 5/21/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

United Federation of Teachers Welfare Fund, et al. v. Philip Morris, et al., Case No. 97-CIV-4676, USDC, Southern District of New York (case filed 7/17/97). 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.

UNR Asbestos-Disease Claims Trust v. Brown & Williamson, et al., Case No. 105152/99, Supreme Court of the State of New York, New York County (case filed 3/15/99). The Trust brings this action to recover contribution, indemnity and/or reimbursement from the tobacco defendants.

Steamfitters Local Union No. 420 Welfare Fund, et al. v. Philip Morris, Inc, et al., Case No. 97-CV-5344, USDC, Eastern District of Pennsylvania (case filed 10/7/97). 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.

Texas Carpenters Health Benefit Fund, et al. v. Philip Morris, et al., Case No. 1:97C0625, USDC, Eastern District of Texas (case filed 11/7/97). 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.

Regence Blueshield, et al. v. Philip Morris Incorporated, et al., Case No. C98-559R, USDC, Western District of Washington (case filed 4/29/98). Blue Cross/Blue Shield plans seek injunctive relief and economic reimbursement to recover moneys expended by healthcare plans to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

West Virginia Laborers' Pension Trust Fund v. Philip Morris, et al., Case No. 397-0708, USDC, Southern District of West Virginia (case filed 8/27/97). 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.

West Virginia - Ohio Valley Area I.B.E.W., et al. v. Liggett Group Inc., et al., Case No. 97-C-2135, USDC, Southern District of West Virginia (case filed 9/19/97). 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.

Milwaukee Carpenters' District Council Health Fund, et al. v. Philip Morris, et al., Case No. 98CV002394, Circuit Court of Wisconsin, Milwaukee County (case filed 3/30/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

### III. CLASS ACTION CASES

Fletcher, et al. v. Brooke Group Ltd., Civil Action No. 97-913, Circuit Court of Mobile County, Alabama (Case filed 3/19/97). Nationwide class of individuals alleging smoking-related claims. The limited fund settlement was preliminarily approved by the court in December 1998. Final approval of the limited fund settlement was denied on July 22, 1999. A motion for reconsideration of that order presently is pending

Hansen, et al. v. The American Tobacco Company, et al., Case No. LR-C-96-881, USDC, Eastern District of Arkansas (case filed 4/4/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Arkansas.

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.

Smokers for Fairness, LLC, et al. v. The State of California, et al., Case No. 7076751, Superior Court of California, County of San Diego (case filed 9/25/98). Plaintiffs bring this putative class action on behalf of all similarly situated adult smokers resident in the State of California.

Arnitz, et al. v. Philip Morris Incorporated, et al., Circuit Court of the 13th Judicial Circuit, Hillsborough County, Florida (case filed 6/30/00). Plaintiffs are seeking class action representation, similarly to Engle, with the exception that this class action applies to class members diagnosed after July 15, 1997 with lung cancer, throat cancer or cancer of the oral cavity.

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 is brought to recover the purchase price paid by plaintiffs and class members while they were under age through the use of fraud, deception, misrepresentation and other activities constituting racketeering, in violation of federal law.

Engle, et al. v. R.J. Reynolds, et al., Case No. 94-08273 CA 20, Circuit Court, State of Florida, Dade County (case filed 5/5/94). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Florida. The case was certified as a class action on October 31, 1994. Trial commenced in July 1998. See Note 11, Contingencies, for a more detailed discussion of this case.

Canter, et al., v. The American Tobacco Company, et al., (f/k/a Peterson) Case No. 97-0490-02, First Circuit Court of the First Circuit, State of Hawaii (case filed 2/6/97, 9/5/2000). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Hawaii.

Clay, et al. v. The American Tobacco Company, et al., Case No. 97-4167-JPG, USDC, Southern District of Illinois (case filed 5/22/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in 34 states.

Cleary, et al. v. Philip Morris, Inc., et al., Case No. 98 L06427, Circuit Court of the State of Illinois, Cook County (case filed 6/11/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated smokers resident in Illinois.

Norton, et al. v. R.J. Reynolds, et al., Case No. 48-D01-9605-CP-0271, Superior Court of Indiana, Madison County (case filed 5/3/96). This personal injury class action is brought on behalf of plaintiff and all similarly situated injured smokers resident in Indiana.

Brammer, et al. v. R.J. Reynolds, et al., Case No. 4-97-CV-10461, USDC, Southern District of Iowa (case filed 6/30/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiffs and all similarly situated allegedly addicted smokers resident in Iowa.

Castano, et al. v. The American Tobacco Company, et al., Case No. 95-30725, USDC, Eastern District of Louisiana (case filed 3/29/94). This case was settled by Liggett and Brooke on March 12, 1996. Nationwide "addiction-as-injury" class action was decertified by the Fifth Circuit in May 1996.

Granier, et al. v. The American Tobacco Company, et al., USDC, Eastern District of Louisiana (case filed 9/29/94). This case currently is stayed pursuant to a decision in Castano.

Young, et al. v. The American Tobacco Company, et al., Case No. 2:97-CV-03851, Civil District Court, State of Louisiana, Orleans Parish (case filed 11/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Louisiana.

Richardson, et al. v. Philip Morris, et al., Case No. 96145050/CL212596, Circuit Court, Baltimore City, Maryland (case filed on 5/29/96). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Maryland.

Lewis, Tarji, et al. v. Philip Morris, Incorporated, et al., Case No. MICV2000-03447, Superior Court, Massachusetts, Middlesex County. This class action is brought on behalf of Massachusetts residents who began smoking under the legal age and who now wish to quit.

National Tobacco Consumers' Group Number 2 v. R. J. Reynolds Tobacco Company, et al., Case No. 00CV11408RGS, USDC, Massachusetts, District of Massachusetts (case filed 7/18/00). This addiction-as-injury class action is brought on behalf of Massachusetts residents.

Vandermeulen, Theresa, et al. v. Philip Morris Companies Inc., et al., Case No. 00-030548 CZ, Circuit Court, Michigan, Wayne County. This class action is brought on behalf of all Michigan smokers due to defendants' negligence, violation of Michigan Consumer Protection Act, breach of contract/warranty and fraudulent concealment.

White, et al. v. Philip Morris, et al., Case No. 5:97-CV-91BRS, Chancery Court of Mississippi, Jefferson County (case filed 4/24/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Mississippi.

Badillo, et al. v. The American Tobacco Company, et al., Case No. CV-N-97-573-HDM (RAM), USDC, District of Nevada (case filed 11/4/97). This action is brought on behalf of all Nevada casino workers that allegedly have been injured by exposure to environmental tobacco smoke.

Avallone, et al. v. The American Tobacco Company, et al., Case No. MID-L-4883-98, Superior Court of New Jersey, Middlesex County (case filed 5/5/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated non-smokers allegedly injured from exposure to second hand smoke resident in New Jersey.

Cosentino, et al. v. Philip Morris, et al., Case No. L-5135-97, Superior Court of New Jersey, Law Division, Middlesex County (case filed 5/21/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in New Jersey.

Geiger, et al. v. The American Tobacco Company, et al., Index No. 10657/97, Supreme Court of New York, Queens County (case filed 1/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated injured smokers resident in New York.

Nwanze, et al. v. Philip Morris, et al., Case No. 97-CIV-7344, USDC, Southern District of New York (case filed 10/17/97). This action is brought on behalf of all prisoners nationwide that have allegedly been injured by exposure to environmental tobacco smoke. Liggett has not been served.

Simon, et al. v. Philip Morris Inc, et al., Case No CV 99 1998, 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 nation wide 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.

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.

Sweeney, et al. v. American Tobacco Company, et al., Case No. GD98-16226, Court of Common Pleas, State of Pennsylvania, Allegheny County (case filed 10/15/98). This putative class action is brought on behalf of all current smokers who began smoking prior to the age of eighteen resident in the State of Pennsylvania.

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 Tenn care under in violation of 42 USCS 1981 et seq., 18 USCS 241 (Conspiracy against rights), and 42 USCS 1986.

Bush, et al. v. Philip Morris, et al., Case No. 597CV180, USDC, Eastern District of Texas (case filed 9/22/97). Two individuals suing on behalf of a class of individuals. This case currently is stayed until 5/10/99.

Cole, et al. v. The Tobacco Institute, et al., Case No. 1:97CV0256, USDC, Eastern District of Texas (case filed 5/12/97). Two individuals suing on behalf of a class of individuals.

Mason, et al. v. The American Tobacco Company, et al., Case No. 7-97CV-293-X, USDC, Northern District of Texas (case filed 12/23/97). This nationwide taxpayer putative class action seeks reimbursement of Medicare expenses made by the United States government. Transferred to the Eastern District of New York

Herrera, et al. v. The American Tobacco Company, et al., Case No. 2:98-CV-00126, USDC, District of Utah (case filed 1/28/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers under the age of nineteen [at time of original filing] resident in Utah.

Jackson, et al. v. Philip Morris, Inc., et al., Case No. 980901634PI, 3rd Judicial Court of Utah, Salt Lake County (case filed 3/10/98). This "addiction-as-injury" class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Utah.

Ingle, et al. v. Philip Morris, et al., Case No. 97-C-21-S, Circuit Court, State of West Virginia, McDowell County (case filed 2/4/97). This personal injury putative class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in West Virginia.

McCune v. The American Tobacco Company, et al., Case No. 97-C-204, Circuit Court, State of West Virginia, Kanawha County (case filed 1/31/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in West Virginia.

Parsons, et al. v. Liggett Group Inc., et al., Case No. 98-C-388, Circuit Court, State of West Virginia, Kanawha County (case filed 4/9/98). This personal injury class action is brought on behalf of plaintiff's decedent and all West Virginia residents having claims for personal injury arising from exposure to both cigarette smoke and asbestos fibers.

Walker, et al. v. Liggett Group Inc., et al., Case No. 2:97-0102, USDC, Southern District of West Virginia (case filed 2/12/97). Nationwide class certified and limited fund class action settlement preliminarily approved with respect to Liggett and Brooke Group on May 15, 1997. Class decertified and preliminary approval of settlement withdrawn by order of district court on August 5, 1997, which order currently is on appeal to the Fourth Circuit.

#### IV. INDIVIDUAL SMOKER CASES

Springer v. Liggett Group Inc. and Liggett & Myers, Inc., Case No. LR-C-98-428, USDC, Eastern District of Arkansas (case filed 7/19/98). Two individuals suing. Liggett only defendant.

Baker, et al v. Safeway, Inc., et al., Case No. 304532, Superior Court of California, County of San Francisco (case filed 6/28/99). Two 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.

Chandler v. Philip Morris Incorporated, et al., Case No. BC226097, Superior Court of California, Los Angeles County (case filed 3/7/00). One individual suing.

Coner v. Philip Morris Incorporated, et al., Case No. BC227929, Superior Court, California, Los Angeles (case filed 3/7/00). One individual suing.

Cooper v. Philip Morris Incorporated, et al., Case No. BC227929, Superior Court, California, Los Angeles County (case filed 4/7/00). One individual suing.

Crayton v. Safeway, Inc., et al., Case No. RDC 820871-0, Superior Court, Alameda County, California (case filed 1/18/00). One individual suing.

Donaldson, et al. v. Raybestos Manhattan, Inc., et al., Case No.998147, Superior Court of California, County of San Francisco (case filed 9/25/98). Two individuals suing.

Ellis v. The American Tobacco Co., et al., Case No. 804002, Superior Court of California, County of Orange (case filed 1/13/99). One individual suing.

Johnson, et al v. Philip Morris Incorporated, et al., Case No. BC 226246, Superior Court, Los Angeles County, California (case filed 3/9/00). Five individuals suing. Liggett has been served.

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.

Morse v. R.J. Reynolds Tobacco Company, et al., Case No. 822825-9, Superior Court, Alameda County, California. One individual suing.

Normadin, et al. v. Brown & Williamson Tobacco Corporation, et al., Case No. H215192-12, Superior Court, California, Alameda County (case filed 8/25/00). 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.

Reynolds, et al. v. Philip Morris Incorporated, et al., Case No. SC024107, Superior Court of California, County of Ventura (case filed 10/04/99). Two individuals suing.

Robinson, et al. v. Raybestos-Manhattan, Inc., et al., Case No. 996378, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

Robinson, et al. v. Raybestos- Manhattan, et al., Case No. 309286, Superior Court, California, County of San Francisco (case filed 1/18/00). Three individuals suing.

Sellers, et al. v. Raybestos-Manhattan, et al., Case No. 996382, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

Soliman v. Philip Morris Incorporated, et al, Case No. 31105, Superior Court, San Francisco County, California (case filed 3/28/00). One individual suing.

Stern, et al. V. Liggett Group Inc., et al., Case No. M37696, Superior Court of California, County of Monterey (case filed 4/28/97). Two individuals suing.

Williams v. Philip Morris Incorporated, et al., Case No. BC227930, Superior Court, California, Los Angeles County (case filed 4/7/00). One individual suing.

Plummer, Brenda, et al. v. The American Tobacco., Case No. 6480, Superior Court, District of Columbia. Three individuals suing.

Adams v. R.J. Reynolds, et al., Case No. 97 05442, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

Armand v. Philip Morris, et al., Case No. 97-31179-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/9/97). Two individuals suing.

Atcheson v. R. J. Reynolds, et al., Case No. 97-31148-CICU, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

Bailey, et al. v. Liggett Group Inc., et al., Case No. 97-18056 CA15, Circuit Court of the 11th Judicial Circuit, State of Florida, Duval County (case filed 8/18/97). Two individuals suing.

Bartley, et al. v. Brown & Williamson, et al., Case No. 97-11153, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/21/97). Two individuals suing.

Blake, et al. v. R. J. Reynolds, et al., Case No. 01-13549, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 6/7/01). Two individuals suing.

Blair v. R. J. Reynolds, et al., Case No. 97-31177, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

Blank v. Philip Morris, et al., Case No. 97-05443, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

Bronstein, et al. v. Brown & Williamson, et al., Case No. 97-008769, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

Burns, et al. v. Liggett Group Inc., et al., Case No. 97-11175-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). One individual suing.

Clark v. Liggett Group Inc., Case No. 95-3333-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Dade County (case filed 8/18/95). One individual suing. Liggett only defendant.

Cowart v. Liggett Group Inc, et al., Case No.98-01483CA, Circuit Court of the 11th Judicial Circuit, State of Florida, Duval County (case filed 3/16/98). One individual suing.

Davis, et al. v. Liggett Group Inc., et al., Case No. 97-11145, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

Davison, et al. v. Brown & Williamson, et al., Case No. 97008776, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

De La Torre, et al. v. Brown & Williamson, et al., Case No. 97-11161, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

Dill v. Philip Morris, et al., Case No. 97-05446, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). One individual suing.

Dougherty v. Philip Morris Inc., et al., Case No. 1999 32074 CICI, Circuit Court, State of Florida, Volusia County (case filed 11/17/99). One individual suing.



Doyle, et al. v. Philip Morris, et al., Case No. 97-627-CA, Circuit Court of the 7th Judicial Circuit, State of Florida, Flagler County (case filed 9/16/97). Two individuals suing.

Duecker v. Liggett Group Inc., Case No. 98-03093 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/5/98). One individual suing. Liggett only defendant.

Eastman v. Brown & Williamson Tobacco Corp., et al., Case No. 01-98-1348, Circuit Court of the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 3/11/98). One individual suing.

Flaks, et al. v. Brown & Williamson, et al., Case No. 97-008750, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

Garretson, et ux. v. R.J. Reynolds, et al., Case No. 97-32441 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 10/22/96). One individual suing.

Goldberg, et al. v. Liggett Group Inc., et al., Case No. 97-008780, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

Gray, et al. v. The American tobacco Co., et al., Case No. 97-21657 CA 42, Circuit Court of the 11th Judicial Circuit, State of Florida, Putnam County (case filed 10/15/97). Two individuals suing.

Halen v. R.J. Reynolds, et al., Case No. CL 96005308, Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 6/19/96). One individual suing.

Harris, et al. v. Brown & Williamson, et al., Case No. 97-1151, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

Hart, et al. v. Brown & Williamson, et al., Case No. 9708781, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

Hayes, et al. v. R.J. Reynolds, et al., Case No. 97-31007, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/30/97). Two individuals suing.

Henin v. Philip Morris, et al., Case No. 97-29320 CA 05, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 12/26/97). One individual suing.

Henning. et al. v. Brown & Williamson, et al., Case No. 97-11159, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

Hitchens, et al. v. Brown & Williamson, et al., Case No. 97008783, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97).

Katz v. Brown & Williamson, et al., Case No. 95-15307-CA-01, USDC, Southern District of Florida (case filed 8/3/95). One individual suing. Plaintiff has dismissed all defendants except Liggett Group Inc.

Kaloustian v. Liggett Group Inc., et al., Case No. 95-5498, Circuit Court for the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 8/28/95). Two individuals suing.

Krueger, et al. v. Brown & Williamson, et al., Case No. 96-1692-CIV-T-24A, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

Lappin v. R.J. Reynolds, et al., Case No. 97-31371 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

Lass v. R.J. Reynolds, et al., Case No. 96-04469, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 12/23/96). Two individuals suing.

Levine v. R.J. Reynolds, et al., Case No. CL 95-98769 (AH), Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 7/24/96). One individual suing.

Lobley v. Philip Morris, et al., Case No. 97-1033-CA-10-L, Circuit Court of the 18th Judicial Circuit, State of Florida, Seminole County (case filed 7/29/97). Two individuals suing.

Lukacs, John v. R. J. Reynolds Tobacco Company, et al., Circuit Court of the 11th Judicial Circuit Court, Florida, Miami-Dade County. One individual suing.

Lustig, et al. v. Brown & Williamson Tobacco Co., et al., Case No. 97 11168, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

Magliarisi, et al. v. Brown & Williamson, et al., Case No. 97008895, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/11/97). One individual suing.

Manley, et al. v. Liggett Group Inc., et al., Case No. 97-11173-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). Two individuals suing.

Meckler, et al. v. Brown & Williamson, et al., Case No. 97-03949-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/10/97). One individual suing.

Mullin v. Philip Morris, et al., Case No. 95-15287 CA 15, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/7/95). One individual suing.

O'Rourke v. Liggett Group Inc., et al., Case No. 97-31345-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

Perez, et al. v. Brown & Williamson, et al., Case No. 96-1721-CIV-T-24B, USDC, Middle District of Florida (case filed 8/20/96). One individual suing.

Phillips v. R.J. Reynolds, et al., Case No. 97-31278, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 5/27/97). One individual suing.

Pipolo v. Philip Morris, et al., Case No. 97-05448, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

Pullara, Ruby M. , et al. v. Liggett Group, Inc. , et al., Case No. 01-1626-Div. C, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. Two individuals suing.

Rauch, et al. v. Brown & Williamson, et al., Case No. 97-11144, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

Rawls, et al. v. Liggett Group Inc., et al., Case No. 97-01354 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 3/6/97). One individual suing.

Rebane, et al. v, Brown & Williamson, et al., Case No. CIO-00-0000750, Circuit Court, Orange County, Florida (case filed 2/1/00). Two individuals suing.

Rix v. R.J. Reynolds, et al., Case No. 96-1778 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 4/29/96). One individual suing.

Schultz v. Philip Morris Incorporated, et al., Case No. 99019898, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 11/24/99). One individual suing.

Shaw, et al. v. Brown & Williamson, et al., Case No. 97-008755, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

Spotts v. R.J. Reynolds, et al., Case No. 97-31373 CICI, Circuit Court of the 4th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). One individual suing.

Stafford v. Brown & Williamson, et al., Case No. 97-7732-CI-019, Circuit Court of the 6th Judicial Circuit, State of Florida, Pinellas County (case filed 11/14/97). One individual suing.

Stewart, et al. v. R.J. Reynolds, et al., Case No. 97 2025 CA, Circuit Court of the 5th Judicial Circuit, State of Florida, Lake County (case filed 9/16/97). Two individuals suing.

Strickland, et al. v. The American Tobacco Company, et al., Case No. 98-00764, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 1/8/98). Two individuals suing.

Strohmetz v. Philip Morris, et al., Case No. 98-03787 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/16/98). One individual suing.

Swank-Reich v. Brown & Williamson, et al., Case No. 97008782, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

Thomson, Barry, v. R.J. Reynolds, et al., Case No. 97-400-CA, Circuit Court of the 7th Judicial Circuit, State of Florida, Flagler County (case filed 9/2/97). One individual suing.

Thomson, Eileen, et al. v. Brown & Williamson, et al., Case No. 97-11170, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

Ventura v. R.J. Reynolds Tobacco Co., et al., Case No. 97-27024 CA (09), Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/26/97). One individual suing.

Washington, et al. v. Philip Morris, et al., Case No. 97-10575 CIDL, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). Two individuals suing.

Weiffenbach, et ux. v. Philip Morris, et al., Case No. 96-1690-CIV-T-24C, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

Wisch v. Liggett Group Inc., et al., Case No. 97-008759, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

Young v. Brown & Williamson, et al., Case No. 96-03566, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 11/30/95). One individual suing.

Brown-Jones v. The American Tobacco Co., et al., Case No. 98-RCCV-28, Superior Court of Georgia, Richmond County (case filed 1/13/98). Two individuals suing.

DeLuca v. Liggett & Myers, et al., Case No. 00L13792, Circuit Court, Cook County, 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). Four individuals suing. (Formerly Daley).

Rogers v. R. J. Reynolds, et al., Case No. 49 D 02-9301-CT-0008, Superior Court of Indiana, Marion County (case filed 3/7/97). Two individuals suing.

Sumpter v. The American Tobacco Co., et al., Case No. IP98-0401-C-M/G, USDC, District of Indiana, Marion County (case filed 2/26/98). 15 individuals suing.

Gronberg, et al. v. Liggett & Myers, et al., Case No. LA-CV-080487, District Court, State of Iowa, Black Hawk County (case filed 3/30/98). Two individuals suing.

Kobold, et al. v. BAT Industries, et al., Case No. CL-77551, District Court, State of Iowa, Polk County (case filed 9/15/98). Two individuals suing.

Mahoney v. The American Tobacco Company, et al., Case No. LALA5187(S), District Court, Iowa, Lee County (case filed 4/13/01). One individual suing.

Mason v. American Brands, Inc., et al., Case No. CL7922, District Court, State of Iowa, Polk County (case filed 4/13/99). One individual suing.

Mitchell, et al. v. Liggett & Myers, et al., Case No. C00-3026, USDC, State of Iowa, Northern District (case filed 4/19/00). Two individuals suing.

Welch, et al. v. The American Tobacco Company, et al., Case No. LA CV 017535, District Court, Iowa, Shelby County (case filed 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.

Alexander, et ux v. Philip Morris Companies, Inc., et al., Case No. 99-C-3975-A, 27th Judicial District Court, St. Landry Parish, Louisiana (case filed 9/27/99). 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.

Bird, et al. v. The American Tobacco Co., et al., Case No. 507-532, 24th Judicial District Court, State of Louisiana, Jefferson Parish (case filed 4/10/97). Four individuals suing.

Brakel, et al. v. The American Tobacco Co., et al., Case No. 96-13672-D, USDC, Eastern District of Louisiana (case filed 8/30/96). Seven 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.

Hebert, et al. v. United States Tobacco, et al., Case No. 96-2281, 14th Judicial District Court, State of Louisiana, Calcasieu Parish (case filed 5/8/96). Two individuals suing.

Higgins, et al. v. Liggett Group Inc., et al., Case No. 96-2205, USDC, Eastern District of Louisiana (case filed 6/1/96). One individual suing.

Jackson v. Brown & Williamson Tobacco Corp., et al., Case No. 97-441-C-MI, USDC, Middle District of Louisiana (case filed 7/3/97). One individual suing.

Kennon v. Brown & Williamson, et al., Case No. 98-586, USDC, Middle District of Louisiana (case filed 12/5/97). One individual suing.

McDowell, et al. v. R.J. Reynolds, et al., Case No. 3:00CV0705, USDC, Western District, Louisiana (case filed 5/16/00). Four 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.

Pitre, et al. v. R. J. Reynolds, et al., Case No. 97 CA 0059, 19th Judicial District Court, State of Louisiana, East Baton Rouge Parish (case filed 8/7/92). Five individuals 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.

Dingus, et al. v. AC&S, et al., Case No. 24-X-91290503, Circuit Court, Baltimore City, Maryland. Two individuals suing.

Adams, Estate of Phyllis, et al. v. R. J. Reynolds, et al., Case No. 00-2636, Superior Court, Middlesex County, Massachusetts. Two individuals suing.

Bistany v. Michael T. Shannon, D.M.D., et al., Case No. 00-1557, Superior Court of Massachusetts, Middlesex County. One individual 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.

Haglund, Brenda, et al. v. Philip Morris Incorporated, et al., Case No. 01-1221, Superior Court, Massachusetts, Middlesex County. Five plaintiffs suing.

Healy, et al. v. Philip Morris Incorporated, et al., Case No. 01-0381, Superior Court of Massachusetts (case filed 1/25/2001). Nine individuals suing.

Monty v. Harvard Pilgrim Health Care, et al., Demand Letter. Superior Court, Massachusetts.

Nysko, et al. v. R. J. Reynolds Tobacco Company, et al., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. Three individual suing.

Paige v. Marilyn Kovant, M.D., et al., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. One individual suing.

Piscione v. R. J. Reynolds Tobacco Company, et al., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. One individual suing.

Reedy, et al. v. R. J. Reynolds Tobacco Co., et al., Case No. 98-5056, Superior Court of Massachusetts, Middlesex County (case filed 8/13/98). One individual suing.

Satchell v. The Tobacco Institute, Inc., et al., Demand Letter. Superior Court, Massachusetts.

Woods, Estate of Helen v. The Tobacco Institute, Inc., et al., Case No. 98-5721, Superior Court of Massachusetts, Middlesex County (case filed 11/18/98). One individual suing.

Woods, Joseph v. The Tobacco Institute, Inc., et al., Case No. 98-5723, Superior Court of Massachusetts, Middlesex County (case filed 11/18/98). One individual suing.

Collier, et al. v. Philip Morris, et al., Case No. 1:98 ov 246RG, USDC, Southern District of Mississippi (case filed 6/5/98). This putative class action is brought on behalf of all non-smoking policemen and seamen employed in the United States who allegedly have been injured by exposure to second hand smoke.

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, Pearl, 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.

Blythe v. Rapid American Corporation, et al., Case No. CI 96-0080-AS, Circuit Court, Mississippi, Jackson County (case filed 9/23/96). One individual suing.

Brown, Glayson, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 2001-0022(1) Circuit Court, Mississippi, George County (case filed 3/30/01). Two Hundred Twenty-Four (224) individuals suing.

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.

Cochran, et al. v. R. J. Reynolds, et al., Case No. 2001-0022(1), Circuit Court, Mississippi, George County (case filed 2/6/01). Twenty-six individuals suing.

Estate of Ed Doss, et al. v. R. J. Reynolds, et al., Case No. 99-0108, Circuit Court, State of Mississippi, Jefferson County (case filed 8/17/99). Nine individuals suing. Liggett has not been served.

Gales, et al. v. R. J. Reynolds, et al., Case No. 2000-170, Circuit Court, Mississippi, Jefferson County (case filed 9/18/00). Seven individuals suing.

Jackson, et al. v. R. J. Reynolds, et al., Case No., Circuit Court, State of Mississippi, Jefferson County. This action seeks judgment from both the Tobacco Defendants and the Asbestos Defendants for joint and several liability

Jennings, et al. v. R. J. Reynolds, et al., Case No. 2000-238, Circuit Court, Mississippi, Claiborne County (case filed 11/2/00). Fourteen individuals suing.

Lane, et al. v. R. J. Reynolds, et al., Case No. CI 00-00239, Circuit Court, Mississippi, Forrest County (case filed 2/6/01). Six individuals suing.

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.

Davis, et al. v. American Tobacco Company, et al., Case No. 2:00-Cv-26-CEJ, USD, Missouri, Eastern District (case filed 9/25/00). Two individuals suing.

Armendariz v. Philip Morris, et al., Case No. 999/862, District Court, Nebraska, Douglas County (case filed 11/17/00). One individual suing.

Mumin v. Philip Morris, et al., Doc. 1000 No. 46, District Court, Nebraska, Douglas County (case filed 11/27/00). One Individual suing.

Howard, et al. v. Philip Morris, Inc., et al., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

French, et al. v. Philip Morris, et al., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

Doolittle, et al. v. R.J. Reynolds Tobacco Company, et al., Superior Court, Gloucester County, New Jersey (case filed 5/22/00). Two individuals suing.

Haines (etc.) V. Liggett Group Inc., et al., Case No. C 6568-96B, USDC, District of New Jersey (case filed 2/2/94). One individual suing.

Klein, et al. v. The American Tobacco Company, et al., Case No. L-7798-00, Superior Court, Middlesex, New Jersey (case filed 9/21/00). Two individuals suing.

Mueller v. Philip Morris Incorporated, et al., Case No. L-8417-01, Superior Court, Middlesex, New Jersey (case Filed 9/5/01). One individual suing.

Piscitello, et al. v. Philip Morris Inc., et al., Case No. 98-CIV-4613, Superior Court of New Jersey, Middlesex County (case filed 3/6/98).

Star, et al. v. The American Tobacco Company, et al., Case No. L-11517-99, Superior Court, Middlesex County, New Jersey (case filed 12/13/99). Two individuals suing.

Tepper and Watkins, et al. v. Philip Morris Inc., et al., Case No. BER-L-4983-97-E, Superior Court of New Jersey, Middlesex County (case filed 5/28/97).

Williamson, Lillian v. R.J. Reynolds Tobacco Company, et al., Case No. L1258-01, Superior Court, Middlesex County, New Jersey (case filed 2/9/01). One individual suing.

Altman, et al. v. Fortune Brands, Inc., et al., Case No. 97-123521, Supreme Court of New York, New York County (case filed 12/16/97). Seven individuals suing.

Anderson, et al. v. Fortune Brands, Inc., et al., Case No. 42821-97, Supreme Court of New York, Kings County (case filed 11/13/97). Six individuals suing.

Arnett, et al. v. The American Tobacco Co., et al., Case No. 109416/98, Supreme Court of New York, New York County (case filed 5/29/98). Nine individuals suing.

Bellows, et al. v. The American Tobacco Co., et al., Case No. 122518/97, Supreme Court of New York, New York County (case filed 11/26/97). Five individuals suing.

Brand, et al. v. Philip Morris Inc., et al., Case No. 29017/98, Supreme Court of New York, Kings County (case filed 12/21/98). Two individuals suing.

Brantley, et al. v. Philip Morris Incorporated, et al., Case No. 0114317/01, Supreme Court of New York, New York County. Six individuals suing.

Caiazzo, et al. v. The American Tobacco Co., et al., Case No. 13213/97, Supreme Court of New York, Richmond County (case filed 10/27/97). Six individuals suing.

Cameron v. The American Tobacco Co., et al., Case No. 019125/97, Supreme Court of New York, Nassau County (case filed 7/18/97). Five individuals suing.

Canaan v. Philip Morris Inc., et al., Case No. 105250/98, Supreme Court of New York, New York County (case filed 3/24/98). One individual suing.

Carll, et al. v. The American Tobacco Co., et al., Case No. 112444/97, Supreme Court of New York, New York County (case filed 8/12/97). Five individuals suing.

Cavanagh, et al. v. The American Tobacco Co., et al., Case No. 11533/97, Supreme Court of New York, Richmond County (case filed 4/23/97). Two individuals suing.

Collins, et al. v. The American Tobacco Co., et al., Case No. 08322/97, Supreme Court of New York, Westchester County (case filed 7/2/97). Nine individuals suing.

Condon, et al. v. The American Tobacco Co., et al., Case No. 108902/97, Supreme Court of New York, New York County (case filed 2/4/97). Seven individuals suing.

Crane, et al. v. The American Tobacco Co., et al., Case No. 106202-97, USDC, Southern District of New York (case filed 4/4/97). Four individuals suing.

Creech, et al. v. The American Tobacco Co., et al., Case No. 106202-97, Supreme Court of New York, Richmond County (case filed 1/14/97). Four individuals suing.

Cresser, et al. v. The American Tobacco Co., et al., Case No. 36009/96, Supreme Court of New York, Kings County (case filed 10/4/96). Two individuals suing.

Da Silva, et al. v. The American Tobacco Co., et al., Case No.106095/97, Supreme Court of New York, New York County (case filed 1/14/97). Six individuals suing.

Domeracki v. Philip Morris, et al., Case No. 98/6859, Supreme Court of New York, Erie County (case filed 8/3/98). One individual suing.

Dougherty, et al. v. The American Tobacco Co., et al., Case No. 97-09768, Supreme Court of New York, Suffolk County (case filed 4/18/97). Two individuals suing.

Dzak, et al. v. The American Tobacco Co., et al., Case No. 26283/96, Supreme Court of New York, Queens County (case filed 12/2/96). Five individuals suing.

Evans, et al. v. The American Tobacco Co., et al., Case No. 28926/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

Frankson, et al. v. The American Tobacco Company, et al., Case No. 24915/00, Supreme Court, New York, Kings County. Four individuals suing.

Fink, et al. v. The American Tobacco Co., et al., Case No. 110336/97 Supreme Court of New York, New York County (case filed 4/25/97). Six individuals suing.

Golden, et al. v. The American Tobacco Co., et al., Case No. 112445/97, Supreme Court of New York, New York County (case filed 8/11/97). Six individuals suing.

Greco, et al. v. The American Tobacco Co., et al., Case No. 15514-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

Gruder , et al. v. Fortune Brands, Inc., et al., Case No.48487/97, Supreme Court of New York, New York County (case filed 12/8/97). Four individuals.

Guilloteau, et al. v. The American Tobacco Co., et al., Case No. 46398/97, Supreme Court of New York, Kings County (case filed 11/26/97). Four individuals suing.

Hansen, et al. v. The American Tobacco Co., et al., Case No.97-26291, Supreme Court of New York, Suffolk County (case filed 4/12/97). Six individuals suing.

Hellen, et al. v. The American Tobacco Co., et al., Case No. 28927/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

Inzerilla, et al. v. The American Tobacco Co., et al., Case No. 11754/96, Supreme Court of New York, Queens County (case filed 7/16/96). Two individuals suing.

Jaust, et al. v. The American Tobacco Co., et al., Case No. 116249/97, Supreme Court of New York, New York County (case filed 10/14/97). Ten individuals suing.

Jefferson, et al. v. Brown & Williamson Tobacco Corporation, et al., Supreme Court of New York, Richmond County. Two individuals suing.

Juliano, et al. v. The American Tobacco Co., et al., Case No. 12470/97, Supreme Court of New York, Richmond County (case filed 8/12/96). Four individuals suing.

Keenan, et al. v. The American Tobacco Co., et al., Case No. 116545-97, Supreme Court of New York, New York County (case filed 10/6/97). Eight individuals suing.

Kenny , et al. v. Philip Morris USA, et al., Case No. 111486/01, Supreme Court, New York, New York County. Two individuals suing.



Kestenbaum, et al. v. The American Tobacco Co., et al., Case No. 109350/97, Supreme Court of New York, New York County (case filed 6/4/97). Eight individuals suing.

Knutson, et al. v. The American Tobacco Co., et al., Case No. 36860/96, Supreme Court of New York, Kings County (case filed 4/25/97). Two individuals suing.

Kotlyar, et al. v. The American Tobacco Co., et al., Case No. 28103/97, Supreme Court of New York, Queens County (case filed 11/26/97). Five individuals suing.

Kristich, et al. v. The American Tobacco Co., et al., Case No. 96-29078, Supreme Court of New York, Suffolk County (case filed 10/12/97). Two individuals suing.

Krochtengel v. The American Tobacco Co., et al., Case No. 24663/98, Supreme Court of New York, Kings County (case filed 7/15/98). One individual suing.

Labroila, et al. v. The American Tobacco Co., et al., Case No. 97-12855, Supreme Court of New York, Suffolk County (case filed 7/20/97). Four individuals suing.

Lehman, et al. v. The American Tobacco Co., et al., Case No. 112446/97, Supreme Court of New York, New York County (case filed 8/11/97). One individual suing.

Leibstein, et al. v. The American Tobacco Co., et al., Case No. 97-019145, Supreme Court of New York, Nassau County (case filed 7/25/97). Six individuals suing.

Leiderman, et al. v. The American Tobacco Co., et al., Case No. 22691/97, Supreme Court of New York, Kings County (case filed 7/23/97). Three individuals suing.

Lennon, et al. v. The American Tobacco Co., et al., Case No. 120503/97, Supreme Court of New York, New York County (case filed 11/19/97). Seven individuals suing.

Le Paw v. B.A.T. Industries, et al., Case No. 17695-96, USDC, Southern District of New York (case filed 8/14/96). Four individuals suing.

Levinson, et al. v. The American Tobacco Co., et al., Case No. 13162/97, Supreme Court of New York, Kings County (case filed 4/17/97). Seven individuals suing.

Lien, et al. v. The American Tobacco Co., et al., Case No. 97-9309, Supreme Court of New York, Suffolk County (case filed 4/28/97). Two individuals suing.

Litke, et al. v. The American Tobacco Co., et al., Case No. 15739/97, Supreme Court of New York, Kings County (case filed 5/1/97). Five individuals suing.

Lohn v. Liggett Group Inc., et al., Case No. 105249/98, Supreme Court of New York, New York County (case filed 3/26/98). One individual suing.

Lombardo, et al. v. The American Tobacco Co., et al., Case No. 16765/97, Supreme Court of New York, Nassau County (case filed 6/6/97). Five individuals suing.

Long, et al. v. The American Tobacco Co., et al., Case No. 22574-97, Supreme Court of New York, Bronx County (case filed 10/22/97). Four individuals suing.

Lopardo, et al. v. The American Tobacco Co., et al., Case No. 027182/97, Supreme Court of New York, Nassau County (case filed 10/27/97). Six individuals suing.

Lucca, et al. v. The American Tobacco Co., et al., Case No. 3583/97, Supreme Court of New York, Kings County (case filed 1/27/97). Two individuals suing.

Lynch, et al. v. The American Tobacco Co., et al., Case No. 117244/97, Supreme Court of New York, New York County (case filed 10/22/97). Five individuals suing.

Maisonet, et al. v. The American Tobacco Co., et al., Case No. 17289/97, Supreme Court of New York, Kings County (case filed 5/20/97). Three individuals suing.

Margolin, et al. v. The American Tobacco Co., et al., Case No. 120762/96, Supreme Court of New York, New York County (case filed 11/22/96). One individual suing.

Martin, et al. v. The American Tobacco Co., et al., Case No. 15982-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

McGuinness, et al. v. The American Tobacco Co., et al., Case No. 112447/97, Supreme Court of New York, New York County (case filed 7/28/97). Six individuals suing.

McLane, et al. v. The American Tobacco Co., et al., Case No. 11620/97, Supreme Court of New York, Richmond County (case filed 5/13/97). Four individuals suing.

Mednick, et al. v. The American Tobacco Co., et al., Case No. 29140/1997, Supreme Court of New York, Kings County (case filed 9/19/97). Eight individuals suing.

Mishk, et al. v. The American Tobacco Co., et al., Case No. 108036/97, Supreme Court of New York, New York County (case filed May 1, 1997). Five individuals suing.

Morey v. Philip Morris, et al., Case No. 11998/9921, Supreme Court of New York, Erie County (case filed 10/30/98). Two individuals suing.

Newell, et al. v. The American Tobacco Co., et al., Case No. 97-25155, Supreme Court of New York, New York County (case filed 10/3/97). Six individuals suing.

Nociforo, et al. v. The American Tobacco Co., et al., Case No. 96-16324, Supreme Court of New York, Suffolk County (case filed 7/12/96). One individual suing.

O'Hara, et al. v. The American Tobacco Co., et al., Case No. 103095/98, Supreme Court of New York, New York County (case filed 2/23/98). Two individuals suing.

Ornstein v. Philip Morris, et al., Case No. 117548/97, Supreme Court of New York, New York County (case filed 9/29/97). One individual suing.

Perez, et al. v. The American Tobacco Co., et al., Case No. 26347/97, Supreme Court of New York, Kings County (case filed 8/26/97). Seven individuals suing.

Perri, et al. v. the American Tobacco Co., et al., Case No. 029554/97, Supreme Court of New York, Nassau County (case filed 11/24/97). Six individuals suing.

Piccione, et al. v. The American Tobacco Co., et al., Case No. 34371/97, Supreme Court of New York, Kings County (case filed 10/27/97). Five individuals suing.

Portnoy, et al. v. The American Tobacco Co., et al., Case No. 16323/96, Supreme Court of New York, Suffolk County (case filed 7/16/96). Two individuals suing.

Reitano, et al. v. The American Tobacco Co., et al., Case No. 28930/96, Supreme Court of New York, Kings County (case filed 8/22/96). One individual suing.

Rico, et al. v. The American Tobacco Company, et al., Case No. 120693/98, Supreme Court of New York, New York County (case filed 11/16/98). Nine individuals suing.

Rinaldi, et al. v. The American Tobacco Co., et al., Case No. 48021/96, Supreme Court of New York, Kings County (case filed 12/11/96). Five individuals suing.

Rose, et al. v. The American Tobacco Co., et al., Case No. 122131/96, Supreme Court of New York, New York County (case filed 12/18/96). Eight individuals suing.

Rubinobitz, et al. v. The American Tobacco Co., et al., Case No. 15717/97, Supreme Court of New York, Nassau County (case filed 5/28/97). Five individuals suing.

Schulhoff, et al. v. The American Tobacco Co., et al., Case No. 23737-97, Supreme Court of New York, Queens County (case filed 11/21/97). Six individuals suing.

Schwartz, Irwin v. The American Tobacco Co., et al., Case No.14841/97, Supreme Court of New York, Nassau County (case filed 5/19/97). One individual suing.

Schwartz, Pearl v. The American Tobacco Co., et al., Case No.47239/96, Supreme Court of New York, Kings County (case filed 12/2/96). One individual suing.

Senzer, et al. v. The American Tobacco Co., et al., Case No. 11609/97, Supreme Court of New York, Queens County (case filed 5/13/97). Eight individuals suing.

Shapiro, et al. v. The American Tobacco Co., et al., Case No. 111179/97, Supreme Court of New York, New York County (case filed 7/21/96). Four individuals suing.

Siegel, et al. v. The American Tobacco Co., et al., Case No.36857/96, Supreme Court of New York, Kings County (case filed 10/8/96). Two individuals suing.

Silverman, et al. v. Lorillard Tobacco Company. et al., Case No. 11328/99, Supreme Court of New York, Kings County (case filed 7/9/99) Five individuals suing.

Smith, et al. v. The American Tobacco Co., et al., Case No. 020525/97, Supreme Court of New York, Queens County (case filed 9/19/97). Eight individuals suing.

Sola, et al. v. The American Tobacco Co., et al., Case No. 18205/96, Supreme Court of New York, Bronx County (case filed 7/16/96). Two individuals suing.

Sprung, et al. v. The American Tobacco Co., et al., Case No. 16654/97, Supreme Court of New York, Kings County (case filed 5/14/97). Ten individuals suing.

Standish, et al. v. The American Tobacco Co., et al., Case No. 18418-97, Supreme Court of New York, Bronx County (case filed 7/28/97). Five individuals suing.

Valentin, et al. v. Fortune Brands, Inc., et al., Case No. 019539/97, Supreme Court of New York, Queens County (case filed 9/16/97). Seven individuals suing.

Walgreen, et al. v. The American Tobacco, et al., Case No. 109351/97, Supreme Court of New York, New York County (case filed 5/23/97). Eight individuals suing.

Werner, et al. v. Fortune Brands, Inc., et al., Case No. 029071-97, Supreme Court of New York, Queens County (case filed 12/12/97). Four individuals suing.

Zarudsky, et al. v. The American Tobacco Co., et al., Case No. 15773-97, Supreme Court of New York, New York County (case filed 5/28/97). Six individuals suing.

Zimmerman, et al. v. The American Tobacco Co., et al., Supreme Court of New York, Queens County (case filed 1997).

Zuzalski, et al. v. Brown & Williamson, et al., Case No. 001378/97, Supreme Court of New York, Queens County (case filed 4/3/97). Seven individuals suing.

Wilson, et al. v. Liggett & Myers, et al., USDC, Middle District Court, North Carolina. One individual suing.

Sanchez, Esther E. v. Philip Morris Incorporated, et al., Case No. 00-818-BR, USDC, Oregon. One individual suing.

Cotner v. Philip Morris, Inc., et al., Case No. CS-2000-157, District Court, Adair County, Oklahoma. One individual suing.

Buscemi v. Brown & Williamson, et al., Case No. 002007, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 9/21/99). Two individuals suing.

Campanella, et al. v. Lorillard Tobacco Company, et al., Case No. 003575, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 1/31/00). Two individuals suing.

Danko, et al. v. Liggett Group, et al., Case No. 2:00CV2683, USDC Eastern District, Pennsylvania. Two individuals suing.

Floyd v. Brown & Williamson, et al., Case No. 000231, Court of Common Pleas, Pennsylvania, Philadelphia County. One individual suing.

Hall v. R. J. Reynolds Tobacco Co., et al., Case No. 4:97-CV-01723, USDC, Pennsylvania, Middle District (case filed 2/18/98). One individual suing.

Tantum v. American Tobacco Co., et al., Case No. 3762, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 1/26/99). Two individuals suing.

Taylor v. Brown & Williamson Tobacco Corporation, et al., Case No. 004378, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 12/13/99). 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.

Cocker v. American Tobacco Co., et al., Case No. 1-00-0069, USDC, Middle District Tennessee (case filed 5/22/00). One individual suing.

Perry, et al. v. Brown & Williamson, et al., Case No. 2-473-95, Circuit Court, Tennessee, Knox County (case filed 7/20/95). 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.

Harris, et al. v. Koch Refining Co., et al., Case No. 98-03426-00-0-G, District Court of the 319th Judicial District, Texas (case filed 6/10/99). Three individuals suing.

Hodges, et vir v. Liggett Group, Inc., et al., Case No. 8000\*JG99, District Court of the 239th Judicial District, Texas, Brazoria County (case filed 5/5/99). Two individuals suing.

Jackson, Hazel, et al. v. Philip Morris, Inc., et al., Case No. G-01-071, USDC, Texas, Southern District (case filed 2/7/2001). Five individuals suing.

Luna v. American Brands, et al., Case No. 96-5654-H, USDC, Texas, Southern District (case filed 2/18/97). One individual suing.

McLean, et al. v. Philip Morris, et al., Case No. 2-96-CV-167, USDC, Texas, Eastern District (case filed 8/30/96). Three individuals suing.

Mireles v. American Brands, Inc., et al., Case No. 966143A, District Court of the 28th Judicial District, Texas, Nueces County (case filed 2/14/97). One individual suing.

Misell, et al. v. American Brands, et al., Case No. 96-6287-H, District Court of the 347th Judicial District, Texas, Nueces County (case filed 1/3/97). Four individuals suing.

Ramirez v. American Brands, Inc., et al., Case No. M-97-050, USDC, Texas, Southern District (case filed 12/23/96). One individual suing.

k v. American Brands, et al., Case No. 97-04-35562, USDC, Texas, Southern District (case filed 7/22/97). Two individuals suing.

Thompson, et al. v. Brown & Williamson, et al., Case No. 97-2981-D, District Court of the 105th Judicial District, Texas, Nueces County (case filed 12/15/97). Two individuals suing.

Wilder, et al. v. The American Tobacco, et al., Case No.2001-066, District Court, Texas, Rusk County (case filed 2/28/01). Five 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.

Accord, et al. v. Philip Morris Incorporated, et al., Case No. 00-C-5000, Circuit Court, West Virginia, Ohio County (case filed 9/13/2000). 683 individuals suing.

Adams, et al. v. Philip Morris Incorporated, et al., Case No. 00-C-5000, Circuit Court, West Virginia, Ohio County (case filed 9/6/2000). 950 individuals suing.

Adkins, et al. v. The American Tobacco, et al., Case No. 00-C-1381, Circuit Court, West Virginia, Kanawha County (case filed 5/31/00). Two individuals suing.

Allen, et al. v. Philip Morris Inc., et al., Case No. 98-C-2337 through 2401, Circuit Court, West Virginia, Kanawha County (case filed 10/1/98). 118 individuals suing.

Anderson, et al. v. Philip Morris, et al., Case No.98-C-1773 through 1799, Circuit Court, West Virginia, Kanawha County (case filed 7/31/98). 50 individuals suing.

Anderson v. The American Tobacco Company, et al., Case No. 00-C-1370, Circuit Court, Kanawha County, West Virginia (case filed 5/30/00). One individual suing.

Blankenship, et al. v. The American Tobacco Company, et al., Case No. 00C-276, Circuit Court, West Virginia, Ohio County. Two individuals suing.

Bishop, et al. v. Liggett Group Inc., et al., Case No. 97-C-2696 through 2713, Circuit Court, State of West Virginia, Kanawha County (case filed 10/28/98). 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.

Casto, et al. v. The American Tobacco Company, et al., Case No. 00-C-294, Circuit Court, West Virginia, Ohio County (case filed 7/24/00). Two individuals suing.

Counts, et al. v. The American Tobacco Company, et al., Case No. 00-C-295, Circuit Court, West Virginia, Ohio County (case filed 7/24/2000). Two individuals suing.

Cutlip, et al. v. The American Tobacco Company, et al., Case No. 00-C-293, Circuit Court, West Virginia, Ohio County (case filed 7/24/00). Two individuals suing.

Dingess, et al. v. The American Tobacco Company, et al., Case No. 00-C-251, Circuit Court, West Virginia, Ohio County (case filed 6/22/2000). Two individuals suing.

Edwards, et al. v. The American Tobacco Company, et al., Case No. 00C-269, Circuit Court, West Virginia, Ohio County (case filed 10/06/98). Two individuals suing.

Fleming v. Philip Morris Incorporated, et al., Case No. 00-C-2063, Circuit Court, West Virginia, Kanawha County. One individual suing.

Hammond v. Brown & Williamson Tobacco Corporation, et al., Case No. 01-C-322, Circuit Court, West Virginia, Ohio County (case filed 7/24/2001). One individual suing.

Harbert v. American Tobacco Company, et al., Case No. 00-C-1496, Circuit Court, West Virginia, Kanawha County (case filed 6/13/2000). One individual suing.

Hemetek v. The American Tobacco Company, et al., Case No. 00C-267, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). One individual suing.

Hensley v. The American Tobacco Company, et al., Case No. 00C-266, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). One individual suing.

Hissom, et al. v. the American Tobacco Co., et al., Case No. 97-C-1479, Circuit Court, West Virginia, Kanawha County (case filed 9/13/97). Two individuals suing.

Huffman v. The American Tobacco Co., et al., Case No. 98-C-276, Circuit Court, West Virginia, Kanawha County (case filed 2/13/98). Two individuals suing.

Jackson v. The American Tobacco Co., et al., Case No. 00-C-289, Circuit Court, West Virginia, Ohio County (case filed 7/20/00). Two individuals suing.

Jividen v. The American Tobacco Co., et al., Case No. 98-C-278, Circuit Court, West Virginia, Mason County (case filed 1/19/99). Two individuals suing.

Johnson, et al. v. The American Tobacco Company, et al., Case No. 00-C-247, Circuit Court, West Virginia, Ohio County (case filed 6/16/2000). Two individuals suing.

Jones, v. The American Tobacco Company, et al., Case No. 00-C-1419, Circuit Court, West Virginia, Kanawha County (case filed 6/6/2000). One individual suing.

Jordon, et al. v. The American Tobacco Company, et al., Case No. 00-C-274, Circuit Court, West Virginia, Ohio County (case filed 7/10/00). Three individuals suing.

Lantz v. Philip Morris Incorporated, et al., Case No. 00-C-1485, Circuit Court, West Virginia, Ohio County. One individual suing.

Little, W. v. The American Tobacco Company, et al., Case No. 01-C-235, Circuit Court, West Virginia, Ohio County (case filed 6/4/01). One individual suing.

Mace, et al. v. The American Tobacco Company, et al., Case No. 00-C-1411, Circuit Court, West Virginia, Kanawha County (case filed 6/22/2000). One individual suing.

Maynard, et al. v. The American Tobacco Company, et al., Case No. 00-C-1470, Circuit Court, West Virginia, Kanawha County (case filed 6/9/2000). One individual suing.

Morris, et al. v. The American Tobacco Company, et al., Case No. 00C-265, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). Two individuals suing.

Newkirk, et al. v. Liggett Group Inc., et al., Case No. 98-C-1699, Circuit Court, West Virginia, Kanawha County (case filed 7/22/98). One individual suing.

Prochaska, et al. v. Philip Morris Incorporated, et al., Case No. 00-C-1486, Circuit Court, West Virginia, Ohio County. Two individual suing.

Scott, et al. v. Philip Morris Incorporated, et al., Case No. 00-C-921, Circuit Court, West Virginia, Ohio County. Two individual suing.

Floyd v. State of Wisconsin, et al., Case No. 99 CV 001125, Circuit Court, Wisconsin, Milwaukee County (case filed 2/10/99). One individual suing.

#### V. ACTIONS CHALLENGING MSA

PTI, Inc., et al. v. Philip Morris Incorporated, et al., Case No. 99-08235 NM, USDC, Central District of California (case filed 8/13/99). Plaintiffs seek damages, declaratory, equitable, injunctive relief and to invalidate the Master Settlement Agreement between the largest manufacturers of cigarettes in the United States and the Attorneys General of forty-six states and the settlement entered into by the State of Texas settlement.

#### 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.

Aguiayo v. R. J. Reynolds Tobacco Company, et al., Case No. 826420-8, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

Phillips v. R. J. Reynolds Tobacco Company, et al., Case No. 826421-7, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

Campe v. R. J. Reynolds Tobacco Company, et al., Case No. 826425-3, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

Amsterdam Tobacco Corp., et al. v. Philip Morris Companies, Inc., et al., Case No. 1:00CV0460, USDC, District of Columbia (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States and elsewhere in the world.



Barnes, et al. v. Philip Morris Companies, Inc., et al., Case No. 00-0003678, Superior Court, District of Columbia (case filed 5/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the District of Columbia.

Buffalo Tobacco Products, Inc., et al. v. Philip Morris Companies, Inc., et al., Case No. 1:00CV00224, USDC, District of Columbia (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Hartz Foods v. Philip Morris Companies, Inc., et al., Case No. 1:00CV01053, USDC, District of Columbia (case filed 5/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Brownstein v. Philip Morris Companies, Inc., et al., Case No. 00002212, Circuit Court, Broward County, Florida (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Florida.

Williamson Oil Company, Inc. v. Philip Morris Companies, Inc., et al., Case No. 00-CV-0447, USDC, Georgia, Northern District (case filed 2/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Suwanee Swifty Stores, Inc. v. Philip Morris Companies, Inc., et al., Case No. 00-CV-0667, USDC, Georgia, Northern District (case filed 3/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Holiday Markets, Inc. v. Philip Morris Companies, Inc., et al., Case No. 00-CV-0707, USDC, Georgia, Northern District (case filed 3/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Smith, et al. v. Philip Morris Companies, Inc., et al., Case No. 00-CV-26, District Court, Kansas, Seward County (case filed 2/7/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Kansas

Taylor, et al. v. Philip Morris Companies, Inc., et al., Case No. CV-00-203, Superior Court, Maine (case filed 3/27/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Maine.

Del Serrone, et al. v. Philip Morris Companies, Inc., Case No. 00-004035 CZ, Circuit Court, Wayne County, Michigan (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Michigan.

Ludke, et al. v. Philip Morris Companies, Inc., et al., Case No. MC 00-001954, District Court, Hennepin County, Minnesota (case filed 2/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

Anderson. v. Philip Morris Companies, Inc., et al., Case No. 00-1212, United States District Court, Minnesota (case filed 5/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

Unruh, et al. v. R. J. Reynolds Tobacco Co., Case No. CV00-2674, District Court, Washoe County, Nevada (case filed 6/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Nevada.

Romero, et al. v. Philip Morris Companies, Inc. et al., Case No. D0117 CV-00000972, District Court, Rio Arriba County, New Mexico (case filed 4/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New Mexico.

Sylvester, et al. v. Philip Morris Companies, Inc., et al., Index No. 00/601008 Supreme Court of New York, New York County, New York (case filed 3/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

Neirman, et al. v. Philip Morris Companies, Inc., et al., Index No. 00/102396, Supreme Court of New York, New York County, New York (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

Shafer, et al. v. Philip Morris Companies, Inc., et al., Case No. 00-C-1231, District Court, Morton County, North Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of North Dakota.

I. Goldshlack Company v. Philip Morris Companies, Inc., et al., Case No. 00-CV-1286, USDC, Eastern District of Pennsylvania (case filed 3/9/00). In this class action plaintiff allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

Swanson, et al. v. Philip Morris Companies, Inc., et al., Case No. 00-144, Circuit Court, Hughes County, South Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of South Dakota.

Saylor, et al. v. Philip Morris Companies, et al., Case No. 7607, Chancery Court, Tennessee, Washington County (case filed 8/15/2001). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Tennessee.

Withers, et al. v. Philip Morris Companies, Inc., et al., Case No. 17, 194-I, Circuit Court, Jefferson County, Tennessee (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 Tennessee.

Kissel, et al. v. Philip Morris, et al., Case No. 00-C-82, Circuit Court, State of West Virginia, Brooke County (case filed 4/13/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of West Virginia.

Cusatis v, Philip Morris Companies, Inc., et al., Case No. 00CV003676, Circuit Court, Milwaukee County, Wisconsin (case filed 5/5/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Wisconsin.