

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 MARCH 31, 2001

VECTOR GROUP LTD.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
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)

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.
 Yes No

At May 11, 2001, Vector Group Ltd. had 25,994,721 shares of common
stock outstanding.

=====

VECTOR GROUP LTD.

FORM 10-Q

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PART I.
FINANCIAL INFORMATION

ITEM 1. VECTOR GROUP LTD. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2001	December 31, 2000
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 120,130	\$ 157,513
Receivables from clearing brokers	18,415	10,126
Investment securities available for sale	28,518	29,337
Trading securities owned	8,566	18,348
Accounts receivable - trade	8,403	9,748
Other receivables	1,715	1,669
Inventories	34,532	29,752
Restricted assets	1,508	4,489
Deferred income taxes	3,153	3,304
Other current assets	4,055	5,656
	-----	-----
Total current assets	228,995	269,942
Property, plant and equipment, net	67,110	48,539
Investment in real estate, net	111,994	120,272
Long-term investments, net	4,954	4,654
Restricted assets	3,179	3,060
Deferred income taxes	7,531	7,094
Other assets	8,533	8,414
	-----	-----
Total assets	\$ 432,296	\$ 461,975
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Current portion of notes payable and long-term debt	\$ 8,704	\$ 17,850
Margin loan payable	3,848	4,675
Accounts payable	6,154	9,547
Cash overdraft	459	501
Securities sold, not yet purchased	2,685	3,570
Accrued promotional expenses	16,718	19,683
Accrued taxes payable	28,513	32,133
Deferred income taxes	2,592	2,587
Prepetition claims and restructuring accruals	7,639	10,229
Other accrued liabilities	45,278	38,000
	-----	-----
Total current liabilities	122,590	138,775
Notes payable, long-term debt and other obligations, less current portion	33,051	39,890
Noncurrent employee benefits	4,042	7,313
Deferred income taxes	131,009	129,887
Other liabilities	64,868	61,627
Minority interests	70,977	72,034
Commitments and contingencies		
Stockholders' equity:		
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 31,791,664 shares, outstanding 25,667,018	2,567	2,567
Additional paid-in capital	175,517	184,807
Deficit	(146,259)	(148,789)
Accumulated other comprehensive income	1,407	1,337
Less: 6,124,646 shares of common stock in treasury, at cost	(27,473)	(27,473)
	-----	-----
Total stockholders' equity	5,759	12,449
	-----	-----
Total liabilities and stockholders' equity	\$ 432,296	\$ 461,975
	=====	=====

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

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

	Three Months Ended	
	March 31, 2001	March 31, 2000
Revenues:		
Tobacco*	\$ 137,136	\$ 147,148
Broker-dealer transactions	19,065	30,296
Real estate leasing	2,641	771
Total revenues	158,842	178,215
Expenses:		
Cost of goods sold*	40,764	68,575
Operating, selling, administrative and general expenses	107,506	99,503
Settlement charges	9,765	37
Operating income	807	10,100
Other income (expenses):		
Interest and dividend income	2,182	1,530
Interest expense	(1,258)	(11,756)
Equity in loss of affiliate	--	(1,551)
Gain on sale of assets	1,492	--
Foreign currency gain	--	1,223
Loss in joint venture	(14)	(226)
Gain on sale of investments, net	465	4,753
Other, net	28	(23)
Income from continuing operations before provision for income taxes and minority interests	3,702	4,050
Provision for income taxes	2,048	823
Minority interests	(876)	1,739
Income from continuing operations	2,530	1,488
Loss on extraordinary items	--	(230)
Net income	\$ 2,530	\$ 1,258
Per basic common share:		
Income from continuing operations	\$ 0.10	\$ 0.06
Loss from extraordinary items	--	\$ (0.01)
Net income applicable to common shares	\$ 0.10	\$ 0.05
Basic weighted average common shares outstanding	25,667,018	23,089,271
Per diluted common share:		
Income from continuing operations	\$ 0.08	\$ 0.05
Loss from extraordinary items	--	\$ (0.01)
Net income applicable to common shares	\$ 0.08	\$ 0.04
Diluted weighted average common shares outstanding	29,951,988	27,543,971

* Tobacco Revenues and Cost of goods sold include excise taxes of \$27,124 and \$24,701 for the three months ended March 31, 2001 and 2000, 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 Stock		Additional Paid-In Capital	Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balance, December 31, 2000	25,667,018	\$ 2,567	\$ 184,807	\$ (148,789)	\$ (27,473)	\$ 1,337	\$ 12,449
Net income	--	--	--	2,530	--	--	2,530
Effect of New Valley capital transactions	--	--	--	--	--	70	70
Total other comprehensive income	--	--	--	--	--	--	70
Total comprehensive income	--	--	--	--	--	--	2,600
Distributions on common stock	--	--	(10,267)	--	--	--	(10,267)
Effect of New Valley share repurchase	--	--	201	--	--	--	201
Amortization of deferred compensation	--	--	776	--	--	--	776
Balance, March 31, 2001	25,667,018	\$ 2,567	\$ 175,517	\$ (146,259)	\$ (27,473)	\$ 1,407	\$ 5,759

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

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

	Three Months Ended	
	March 31, 2001	March 31, 2000
Net cash used in operating activities	\$ (3,271)	\$ (22,086)
Cash flows from investing activities:		
Proceeds from sale of businesses and assets, net	11,981	2
Sale or maturity of investment securities	3,166	14,849
Purchase of investment securities	(1,761)	(5,503)
Purchase of long-term investments	(300)	(504)
Purchase of real estate	(565)	--
Decrease in restricted assets	2,862	3,202
Payment of prepetition claims	(2,590)	(16)
Investment in joint venture	--	(213)
Repurchase by New Valley of common shares	(239)	(166)
Capital expenditures	(22,025)	(8,029)
Net cash (used in) provided by investing activities	(9,471)	3,622
Cash flows from financing activities:		
Proceeds from debt	13,999	1,500
Repayments of debt	(10,610)	(8,395)
Borrowings under revolvers	87,016	120,442
Repayments on revolvers	(106,388)	(89,890)
Proceeds from participating loan	2,478	--
Decrease in cash overdraft	(42)	--
(Decrease) increase in margin loans payable	(827)	3,324
Distributions on common stock	(10,267)	(5,498)
Net cash (used in) provided by financing activities	(24,641)	21,483
Effect of exchange rate changes on cash and cash equivalents	--	(332)
Net (decrease) increase in cash and cash equivalents	(37,383)	2,687
Cash and cash equivalents, beginning of period	157,513	20,123
Cash and cash equivalents, end of period	\$ 120,130	\$ 22,810

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

Liggett is engaged primarily in the manufacture and sale of cigarettes, principally in the United States. Vector Tobacco is engaged in the development of new, less hazardous cigarette products. 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 ownership of Ladenburg Thalmann & Co. Inc. ("Ladenburg") and in the real estate business in Russia.

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) RISKS AND UNCERTAINTIES:

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 market, 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 the Company's control.

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.

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

(c) 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.

(d) RECLASSIFICATIONS:

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

(e) EARNINGS PER SHARE:

Information concerning the Company's common stock has been adjusted to give effect to the 5% stock dividend paid to Company stockholders on September 28, 2000. In connection with the 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.

(f) COMPREHENSIVE INCOME:

Other comprehensive income is a component of stockholders' equity and 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 \$70 for the three months ended March 31, 2001 and \$1,601 for the three months ended March 31, 2000.

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, and the acquisition of Class A interests in Western Realty Development LLC (refer to Note 4) 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.

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

	Three Months Ended March 31, 2000 -----
Revenues	\$141,771 =====
Operating income	\$ 9,172 =====
Income from continuing operations before taxes and minority interests	\$ 11,248 =====
Income from continuing operations	\$ 5,255 =====
Income from continuing operations per common share:	
Basic	\$ 0.23 =====
Diluted	\$ 0.19 =====

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 March 31, 2001, New Valley had repurchased 412,000 shares for approximately \$1,423. At March 31, 2001, the Company owned 56.3% of New Valley's Common Shares.

On February 8, 2001, New Valley entered into a stock purchase agreement under which New Valley acquired a controlling interest in GBI Capital Management Corp. ("GBI") and its operating subsidiary, GBI Capital Partners, Inc., a securities and trading firm. On April 25, 2001, New Valley and GBI entered into an amendment to the agreement which provided for an increase in the number of shares of GBI common stock to be received by New Valley and Berliner Effektengesellschaft AG ("Berliner") and a decrease in the conversion price of the notes to be received by New Valley and Berliner based on a post-closing determination of the respective changes in the total stockholders' equities of Ladenburg, New Valley's 80.1% subsidiary, and GBI through April 30, 2001. Following the closing of the transaction, which occurred on May 7, 2001, New Valley owns a majority of the outstanding shares of GBI, an American Stock Exchange-listed company, which has been renamed Ladenburg Thalmann Financial Services, Inc. Under the terms of the amended agreement, New Valley and Berliner sold all of the outstanding shares of Ladenburg to GBI for 18,181,818 shares (subject to increase) of GBI common stock, \$10,000 of cash and \$10,000 principal amount of convertible notes (convertible at \$2.60 per share, subject to decrease). Upon closing, New Valley also acquired an additional 3,945,060 shares of GBI from Joseph Berland, the former Chairman and Chief Executive Officer of GBI, for \$1.00 per share.

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

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. 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 secured 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 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 and its subsidiaries are entitled to 99% of distributions from Western Realty Development and Apollo is entitled to 1% of distributions. Accordingly, 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 months ended March 31, 2000 for Western Realty Development follows:

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

Three Months Ended
March 31, 2000

Revenues	\$2,390
Costs and expenses	2,170
Accretion of return on participating loan.....	1,412
Income tax expense	--

Net income	\$1,632
	=====

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. BrookeMil is planning the development of a hotel, office, retail and residential complex on the Kremlin sites. BrookeMil owned 100% of both sites at March 31, 2001.

Through March 31, 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 out of 100% of the distributions by the entities owning the Kremlin sites to BrookeMil. 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 March 31, 2001, BrookeMil had invested \$36,230 in the Kremlin sites and held \$545 in cash and receivables from an affiliate, both of which were restricted for future 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 \$36,775 at March 31, 2001 and the amount of the participating loan recorded in the consolidated balance sheet is \$38,605 at March 31, 2001. Apollo is entitled to additional preferences of approximately \$5,700 related to the Kremlin sites at March 31, 2001.

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

The development of Ducat Place III and the Kremlin sites will require significant amounts of debt and other financing. New Valley is considering potential financing alternatives on behalf of Western Realty Development and BrookeMil. 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.

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 gains on sales of investment securities available for sale of \$465 and \$4,753 for the three months ended March 31, 2001 and 2000, respectively.

The components of investment securities available for sale at March 31, 2001 are as follows:

	Cost ----	Gross Unrealized Gain -----	Gross Unrealized Loss -----	Fair Value -----
Marketable equity securities	\$23,072	\$ 2	\$3,056	\$20,018
Marketable debt securities .	3,050	600	--	3,650
Marketable warrants	--	4,850	--	4,850
	-----	-----	-----	-----
Investment securities	\$26,122	\$5,452	\$3,056	\$28,518
	=====	=====	=====	=====

6. INVENTORIES

Inventories consist of:

	March 31, 2001 -----	December 31, 2000 -----
Leaf tobacco	\$ 8,787	\$ 7,911
Other raw materials	1,311	1,382
Work-in-process	1,760	2,156
Finished goods	20,704	18,924
Replacement parts and supplies	2,749	2,640
	-----	-----
Inventories at current cost ..	35,311	33,013
LIFO adjustments	(779)	(3,261)
	-----	-----
	\$ 34,532	\$ 29,752
	=====	=====

At March 31, 2001, the Company had leaf tobacco purchase commitments of approximately \$18,874.

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

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	March 31, 2001 -----	December 31, 2000 -----
Land and improvements	\$ 1,550	\$ 1,670
Buildings	15,886	15,641
Machinery and equipment	90,179	71,741
	-----	-----
	107,615	89,052
Less accumulated depreciation	(40,505)	(40,513)
	-----	-----
	\$ 67,110	\$ 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.

Also in February 2001, Liggett contracted to purchase production machinery for approximately \$16,200 denominated in foreign currencies. Deliveries are expected to begin in October 2001. Liggett is seeking a capital lease arrangement to finance a portion of the acquisition costs.

8. LONG-TERM INVESTMENTS

At March 31, 2001, long-term investments consisted primarily of investments in limited partnerships of \$4,954. The Company believes the fair value of the limited partnerships exceeds their carrying amount by approximately \$5,800 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.

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

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

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

	March 31, 2001 -----	December 31, 2000 -----
Liggett:		
Revolving credit facility	\$ --	\$ 19,374
Term loan under credit facility	4,140	4,320
Equipment loans	5,565	5,760
New Valley:		
Notes payable - shopping centers	11,287	19,529
Notes payable - Russia.....	7,257	8,187
Vector Research	13,175	--
Other	331	570
	-----	-----
Total notes payable, long-term debt and other obligations	41,755	57,740
Less:		
Current maturities	(8,704)	(17,850)
	-----	-----
Amount due after one year	\$ 33,051	\$ 39,890
	=====	=====

REVOLVING CREDIT FACILITY - LIGGETT:

Liggett has a \$35,000 credit facility, under which \$0 was outstanding at March 31, 2001. Availability under the credit facility was approximately \$28,376 based on eligible collateral at March 31, 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 9.5% at March 31, 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 March 31, 2001, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$19,459 and net working capital was \$14,820, 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. The loan is payable in 59 monthly installments of \$60 including annual interest at 1% above the prime rate with a final payment of \$1,500. 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.

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

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 (\$3,835 outstanding at March 31, 2001) to fund the purchase from a third party. The loan, which is collateralized by the equipment and guaranteed by BGLS and Vector, is payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550.

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 three months ended March 31, 2001. Notes payable relating to the shopping center with a balance of \$8,226 at December 31, 2000 were repaid upon closing.

A credit facility with a Russian bank bears interest at 16% per year, matures no later than August 2002, with principal payments commencing after the first year, and is collateralized by a mortgage on Ducat Place II and guaranteed by New Valley. At March 31, 2001, borrowings under the new credit agreement totaled \$7,257.

EQUIPMENT LOANS - VECTOR RESEARCH:

On February 20, 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., BGLS 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.

SUBSEQUENT EVENT:

10% SENIOR SECURED NOTES DUE MARCH 31, 2006 - BGLS

On May 14, 2001, BGLS issued at a discount \$60,000 principal amount of 10% senior secured notes due March 31, 2006 in a private placement. BGLS 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 BGLS' assets, including a pledge of BGLS' 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 BGLS and NV Holdings. The purchase agreement for the notes contains covenants, which among other things, limit the ability of BGLS to make distributions to the

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Company to 50% of BGLS' net income, unless BGLS holds \$50,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of BGLS, 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 BGLS to merge, consolidate or sell certain assets.

Prior to May 24, 2003, BGLS 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. BGLS 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, BGLS is required to offer to repurchase all the notes at a purchase price of 101%, 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.

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 750,000 shares of common stock at an exercise price of \$19.125 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 quarter ended March 31, 2001, new employees of the Company or its subsidiaries were awarded a total of 305,000 non-qualified options to purchase shares of common stock at prices ranging from \$17.88 to \$21.36, the fair market value on the dates of grant, under the Company's 1998 Long-Term Incentive Plan.

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 BGLS, 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

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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 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 three months ended March 31, 2001, Liggett incurred counsel fees and costs totaling approximately \$2,519 compared to \$1,969 for the three months ended March 31, 2000.

INDIVIDUAL ACTIONS. As of March 31, 2001, there were approximately 314 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, 67 were pending in Florida, 92 in New York, 13 in Massachusetts, 14 in Texas and 22 in California. 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 1,200 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 each case, both the verdict and damage awards are being appealed by the defendants. 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. This company has indicated it intends to appeal to the U. S. Supreme Court.

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CLASS ACTIONS. As of March 31, 2001, there were approximately 43 actions pending, for which either a class has been certified or plaintiffs are seeking class certification, where Liggett, among others, was a named defendant. Many of these actions purport to constitute statewide class actions and were filed after May 1996 when the Fifth Circuit Court of Appeals, in the CASTANO case (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,

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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 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 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, North Carolina, Oklahoma and 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. The agreement calls for the payment by Liggett of \$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. 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.

On August 16, 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. Retrial has been scheduled to begin in September 2001.

Approximately 38 purported state and federal class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations. The actions allege that the cigarette manufacturers have engaged in a nationwide and international conspiracy to fix the price of cigarettes in violation of state and federal antitrust laws. Plaintiffs allege that defendants' price-fixing conspiracy raised the price of cigarettes above a competitive level. Plaintiffs in the 31 state actions purport to represent classes of indirect purchasers of cigarettes in 16 states; plaintiffs in the seven federal actions purport to represent a nationwide class of wholesalers who purchased cigarettes directly from the defendants. The federal 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 is obligated to comply 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, but the plaintiffs are expected to appeal 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 March 31, 2001, there were approximately 35 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 March 31, 2001, there were approximately 69 Third-Party Payor Actions pending against Liggett. The claims in these cases are similar to those in the Governmental Actions but have been commenced by insurance companies, union health and welfare trust funds, asbestos manufacturers and others. Seven United States Circuit Courts of Appeal have ruled that Third-Party Payors did not have standing to bring

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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 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. The government filed a motion seeking the court's reconsideration of this ruling, which remains pending. In an amended complaint filed in February 2001, the government attempted to plead with more specificity the MSP claims dismissed by the court. Liggett has filed a motion to dismiss the amended MSP claim. 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. Discovery in the case has commenced. Trial is scheduled for July 2003, although trial dates are subject to change.

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.

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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. 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):

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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 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.

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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 in 2001 include a third-party action brought by Empire Blue Cross/Blue Shield, which began March 26, 2001 in the United States District Court for the Eastern District of New York, an action brought by Owens Corning, a former asbestos manufacturer, beginning June 2001 in a Mississippi state court, an individual action in a South Carolina federal court that is scheduled to begin in August 2001, and a trial in a medical monitoring class action in a West Virginia state court that is scheduled to begin during September 2001. These cases, other than the individual action, are presently scheduled to be tried pursuant to multi-part trial plans. 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. The agreement calls for the payment by Liggett of \$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. 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.

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.

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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 tobaccos 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 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

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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 preliminary 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 enjoined this legislation from going into effect on the grounds that it is preempted by federal law. In November 1999, the First Circuit affirmed this ruling. 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 \$1.88 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 June 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 July 1, 2002 to issue final regulations. Six months from the issuance of the standards, but no later than January 1, 2003, all cigarettes offered for sale in New York state will be required to be manufactured to those standards. Similar legislation is being considered by other state legislatures.

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

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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 (i) a declaration that New Valley's directors breached their fiduciary duties, Brooke Group Holding aided and abetted such breaches and such parties are therefore liable to New Valley, and (ii) unspecified damages to 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 by the independent appraisal firm and the fairness opinion by the independent investment bank were flawed. Brooke Group Holding and New Valley believe that the allegations in both cases are without merit. By order of the court, both actions were consolidated. In January 2001, the court denied a motion to dismiss the consolidated action filed by Brooke Group Holdings and New Valley. 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 this matter will not have a material adverse effect on the Company's or New Valley's consolidated financial position, results of operations or cash flows.

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 unspecified compensatory damages as well as all costs and fees. Brooke Group Holding and New Valley believe that the allegations are without merit. The Court, on the defendants' motion, recently dismissed six of plaintiff's nine claims alleging inadequate disclosure in the proxy statement. The surviving claims are plaintiff's allegations that (i) the fact that the fairness opinion did not cover the relative fairness to each class of shares should have been expressly disclosed; (ii) failure to disclose the identity of shareholders who suggested the recapitalization and their respective holdings, broken down by share class, was a material omission; and (iii) the disclosure in the proxy statement was inadequate because it did not reveal the value of the Company's lines of business or its assets. The Court speculated that facts might exist under which one or more of the foregoing alleged non-disclosures might be material and, therefore, the motion to dismiss as to these three allegations was denied. An answer has been filed as to the surviving claims. 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 this matter will not have a material adverse effect on the Company's or New Valley's consolidated financial position, results of operations or cash flows.

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As of March 31, 2001, New Valley had \$7,639 of prepetition bankruptcy-related claims and restructuring accruals including claims for lease rejection damages and 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.

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 will not 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:

	March 31, 2001	December 31, 2000
	-----	-----
Note payable for Western Realty Development Class A Interests.....	\$19,957	\$19,968
Western Realty Repin participating loan.....	38,605	36,127
Other long-term liabilities.....	6,306	5,532
	-----	-----
Total	\$64,868	\$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 months ended March 31, 2001 and 2000 follows:

	United States Tobacco -----	Russian(1) Tobacco -----	Broker- Dealer -----	Real(2) Estate -----	Corporate(2) and Other -----	Total -----
THREE MONTHS ENDED MARCH 31, 2001:						
Revenues	\$137,136	--	\$ 19,065	\$ 2,641	\$ --	\$158,842
Operating income (loss)	9,704	--	(364)	81	(8,614)	807
Identifiable assets	100,089	--	45,710	131,025	155,472	432,296
Depreciation and amortization	1,390	--	505	680	109	2,684
Capital expenditures	1,376	--	1,665	565	18,419	22,025
THREE MONTHS ENDED MARCH 31, 2000:						
Revenues	\$106,902	\$ 40,246	\$ 30,296	\$ 771	\$ --	\$178,215
Operating income (loss)	9,089	498	4,883	(1,983)	(2,387)	10,100
Identifiable assets	125,900	157,827	50,039	57,826	142,410	534,002
Depreciation and amortization	998	2,022	220	149	9	3,398
Capital expenditures	4,514	2,775	66	674	--	8,029

(1) Russian tobacco is included for the three months ended March 31, 2000. Western Tobacco Investments was sold on August 4, 2000.

(2) New Valley's interest in Western Realty Development is included in real estate operations for the 2001 period and in Corporate and Other for the 2000 period 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 BGLS Inc. ("BGLS"), Liggett Group Inc. ("Liggett"), New Valley Corporation ("New Valley"), Brooke (Overseas) Ltd. ("Brooke Overseas"), Vector Tobacco (USA) Ltd. ("Vector Tobacco"), through July 31, 2000 Liggett-Ducat Ltd. ("Liggett-Ducat"), and other less significant subsidiaries. As of March 31, 2001, the Company owned 56.3% of New Valley's common shares.

The Company is a holding company for a number of businesses. Liggett is engaged primarily in the manufacture and sale of cigarettes, principally in the United States. Vector Tobacco is engaged in the development of new, less hazardous cigarette products. New Valley is engaged in the investment banking and brokerage business through its ownership of Ladenburg Thalmann & Co. Inc. ("Ladenburg") and in the real estate business in Russia.

RECENT DEVELOPMENTS

ACQUISITION OF GBI CAPITAL MANAGEMENT. On February 8, 2001, New Valley entered into a stock purchase agreement under which New Valley acquired a controlling interest in GBI Capital Management Corp. ("GBI") and its operating subsidiary, GBI Capital Partners, Inc., a securities and trading firm. On April 25, 2001, New Valley and GBI entered into an amendment to the agreement which provided for an increase in the number of shares of GBI common stock to be received by New Valley and Berliner Effktengesellschaft AG ("Berliner") and a decrease in the conversion price of the notes to be received by New Valley and Berliner based on a post-closing determination of the respective changes in the total stockholders' equities of Ladenburg, New Valley's 80.1% subsidiary, and GBI through April 30, 2001. Following the closing of the transaction, which occurred on May 7, 2001, New Valley owns a majority of the outstanding shares of GBI, an American Stock Exchange-listed company, which has been renamed Ladenburg Thalmann Financial Services, Inc. Under the terms of the amended agreement, New Valley and Berliner sold all of the outstanding shares of Ladenburg to GBI for 18,181,818 shares (subject to increase) of GBI common stock, \$10,000 of cash and \$10,000 principal amount of convertible notes (convertible at \$2.60 per share, subject to decrease). Upon closing, New Valley also acquired an additional 3,945,060 shares of GBI from Joseph Berland, the former Chairman and Chief Executive Officer of GBI, for \$1.00 per share.

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

RECENT DEVELOPMENTS IN LEGISLATION, REGULATION AND LITIGATION

The cigarette industry continues to be challenged on numerous fronts. New cases continue to be commenced against Liggett and other cigarette manufacturers. As of March 31, 2001, there were approximately 314 individual suits, 43 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 the third quarter of 2000, an action against cigarette manufacturers involving approximately 1,200 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. 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 such cases and the risks attendant 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 could 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. The agreement calls for the payment by Liggett of \$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. 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 of such smoking-related litigation. See Note 11 to Vector's consolidated financial statements for a description of legislation, regulation and litigation.

RESULTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
REVENUES:		
Liggett	\$ 137,136	\$ 106,902
Liggett-Ducat(1)	--	40,246
Total tobacco	137,136	147,148
Broker-dealer	19,065	30,296
Real estate	2,641	771
Total revenues	\$ 158,842	\$ 178,215
OPERATING INCOME:		
Liggett	9,704	9,089
Liggett-Ducat(1)	--	498
Total tobacco	9,704	9,587
Broker-dealer	(364)	4,883
Real estate	81	(1,983)
Corporate and other	(8,614)	(2,387)
Total operating income	\$ 807	\$ 10,100

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

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

REVENUES. Total revenues were \$158,842 for the three months ended March 31, 2001 compared to \$178,215 for the three months ended March 31, 2000. This 10.9% decrease in revenues (\$19,373) was due to a \$11,231 or 37.1% decrease in revenues at Ladenburg and the absence of revenues from Liggett-Ducat offset by a \$30,234 increase of revenues at Liggett and a \$1,870 increase in real estate.

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.

Total tobacco revenues were \$137,136 for the three months ended March 31, 2001 compared to \$147,148 for the three months ended March 31, 2000. This 6.8% decrease in revenues was due to a loss of revenues when Liggett-Ducat was sold in August 2000 partially offset by a 28.3% increase in revenues at Liggett. Revenues at Liggett increased by 28.3% (\$30,234) for both the premium and discount segments due to price increases of \$7,501 and a 31.8% increase in unit sales volume (approximately 388.8 million units), accounting for \$34,027 in positive volume variance, partially offset by an unfavorable sales mix of \$11,294.

Premium sales at Liggett for the first quarter of 2001 amounted to \$14,130 and represented 10.3% of Liggett's total sales, compared to \$15,692 and 14.7% of total sales in the first quarter of 2000. In the premium segment, revenues declined by 10.0% (\$1,562) for the three months ended March 31, 2001, compared to the prior year first quarter, due to an unfavorable volume variance of \$2,747, reflecting a 17.5% decline in unit sales volume (approximately 25.4 million units), which was partially offset by price increases of \$1,185.

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 March 31, 2001 amounted to \$123,006 and represented 89.7% of Liggett's total sales, compared to \$91,210 and 85.3% of total sales for the three months ended March 31, 2000. In the discount segment, revenues grew by 34.9% (\$31,796) for the three months ended March 31, 2001 compared to the prior year period, due to price increases of \$6,316, along with a 38.5% increase in unit sales volume (approximately 414.2 million units), accounting for \$35,098 in volume variance, partially offset by an unfavorable product mix among the discount brand categories of \$9,618.

For the three months ended March 31, 2001, fixed manufacturing costs at Liggett on a basis comparable to 2000 were \$430 higher although costs per thousand units declined 20.5% (\$1.82) from \$2.29 in the prior period, due to a 41.3% increase in production volume.

TOBACCO GROSS PROFIT. Liggett's gross profit was \$96,222 for the three months ended March 31, 2001 representing a Company increase of \$17,799 when compared to the 2000 period, a period which also included the gross profit of Liggett-Ducat. Liggett's gross profit increased \$22,963 from gross profit of \$73,259 for the first quarter of 2000 primarily due to volume and price increases discussed above.

In the first quarter 2001, Liggett's premium brand contributed 11.3% and Liggett's discount brands contributed 88.7% to Company gross profit as compared with the first quarter 2000 when Liggett's premium brand contributed 14.5%, Liggett's discount brands contributed 78.9% and Liggett-Ducat contributed 6.6% of the Company's gross profit. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett increased to 87.5% for the three months ended March 31, 2001 compared to 84.3% for the same period in 2000, with gross profit for the premium segment at 89.6% and 85.8% in the first quarter ended March 31 of 2001 and 2000, respectively, and gross profit for the discount segment at 87.2% and 84.1% 2001 and 2000, respectively. These increases are the result of 31.8% growth in unit sales volume (388.8 million units), the July and December 2000 list price increases and improved production variances.

BROKER-DEALER AND REAL ESTATE REVENUES. For the three months ended March 31, 2001, Ladenburg's revenues were \$19,065 and real estate revenues were \$2,641. Ladenburg's revenues for the first quarter of 2001 decreased \$11,231 as compared to revenues for the first quarter of 2000 due to decreased commissions of \$8,867 and a decline in principal transactions. The 68% decrease in commissions was the result of a less active market for equity securities in 2001 versus 2000. The decrease in principal transactions was primarily the result of decreased trading and brokerage activities in 2001 as compared to 2000.

Revenues from the real estate operations for the first quarter of 2001 increased \$1,870 primarily due to the inclusion of the rental revenue of Western Realty Development, which became a consolidated subsidiary on December 29, 2000.

EXPENSES. Operating, selling, general and administrative expenses were \$107,506 for the three months ended March 31, 2001 compared to \$99,503 for the same period last year, an increase of \$8,003 primarily due to increased expenses at Liggett of \$14,348, increased expenses of product development at Vector Tobacco and a small increase in real estate operating expenses offset by a decrease in expenses at Ladenburg. The increase in operating expenses at Liggett was due primarily to higher spending for promotional and marketing programs and increased administrative expenses partially offset by the absence of factory relocation costs.

For the quarter ended March 31, 2001, Liggett's operating income was reduced by \$9,723 of expense relating to the ENGLE class action. As discussed in Note 11 to the 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. The agreement calls for the payment by Liggett of \$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. As a result, Liggett recorded a \$9,723 pre-tax charge to the consolidated statement of operations for the first quarter of 2001.

Expenses of the real estate operations increased \$703 in the 2001 period due primarily to the \$2,242 inclusion of the expenses of Western Realty Development in 2001 offset by lower expenses as a result of the sale of one of New Valley's two U.S. shopping centers and lower expense at BrookeMil. BrookeMil incurred expenses of \$312 and \$1,618 for the three month periods ended March 31, 2001 and 2000, respectively. For the 2000 period, BrookeMil's expenses consisted primarily of accrued interest expense of \$1,596 associated with the participating loan from Western Realty Repin to BrookeMil in connection with the development of the Kremlin sites. Ladenburg's expenses for the first quarter of 2001 decreased \$5,984 as compared to expenses for the first quarter of 2000 due primarily to a decrease in incentive based compensation associated with the decreased revenues.

OTHER INCOME (EXPENSES). For the three months ended March 31, 2001, other income was \$2,895 compared to expense of \$6,050 for the period ended March 31, 2000.

The Company had increased interest and dividend income and reported gains in the sale of assets including the sale of a shopping center at New Valley and a warehouse facility at Liggett for the three months ended March 31, 2001 compared to the same period in the prior year.

Interest expense was \$1,258 for the three months ended March 31, 2001 compared to \$11,756 for the same period last year. This decrease of \$10,498 was primarily due to a savings of \$5,400 at corporate because of the redemption by BGLS of all of its 15.75% senior secured notes in 2000 and lower interest expense at New Valley and Brooke (Overseas).

Gain on sale of investments at New Valley was \$465 compared to \$4,753 in the prior year period.

For the three months ended March 31, 2000, equity in earnings of affiliate was a loss of \$1,551 partially offset by a foreign currency gain of \$1,223.

INCOME FROM CONTINUING OPERATIONS. The income from continuing operations for the three months ended March 31, 2001 was \$2,530 compared to income of \$1,488 for the three months ended March 31, 2000. Income tax expense for the first quarter of 2001 was \$2,048 compared to \$823 for the first quarter of 2000. The effective tax rates for the three months ended March 31, 2001 and March 31, 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 decreased \$37,383 for the three months ended March 31, 2001 and increased \$2,687 for the three months ended March 31, 2000. Net cash used in operations for the three months ended March 31, 2001 was \$3,271 compared to net cash used in operations of \$22,086 for the comparable period of 2000. Cash used in operations related to the increase in inventories of \$4,780 and the decrease in current liabilities of \$16,185 for the quarter ended March 31, 2001, partially offset by noncash expenses such as

depreciation and amortization (\$2,684) and stock based compensation expense (\$2,565) as well as a decrease in receivables of \$4,311. Cash used in the 2000 period for operating activities resulted principally from lower net income at Liggett, an increase in inventories of \$14,357, an increase in receivables from clearing brokers of \$10,217 and a decrease in net deferred taxes of \$4,126 offset by an increase in accounts payable and accrued expenses of \$10,320.

Cash used in investing activities of \$9,471 compares to cash provided of \$3,622 for the periods ended March 31, 2001 and 2000, respectively. For the three months ended March 31, 2001, cash was used primarily for capital expenditures of \$22,025, payment of prepetition claims of \$2,590 and purchases of investment securities for \$1,761. These expenditures were offset primarily by \$11,981 of proceeds from the sale of one of New Valley's shopping centers and sales at Liggett of a warehouse facility and machinery and equipment and the sale or maturity of long-term investments. For the three months ended March 31, 2000, proceeds are primarily attributable to net sales of marketable securities and long-term investments of \$14,849 and the decrease in restricted assets of \$3,202 offset primarily by capital expenditures of \$8,029 and purchase of long-term investments and investment securities of \$6,007.

Cash used in financing activities was \$24,641 for the three months ended March 31, 2001 compared to cash provided of \$21,483 for the three months ended March 31, 2000. In the 2001 period, net repayments on the revolving credit facilities were \$19,372 slightly offset by net proceeds from debt of \$3,389. Further cash was used for distributions on common stock of \$10,267 and decreases of \$827 in margin loans payable and \$42 in cash overdraft. Cash was provided in the 2000 period through net borrowings under credit facilities of \$30,552 and an increase in margin loans payable. These amounts were offset by net repayments on debt of \$6,895 and distributions on common stock of \$5,498.

LIGGETT. Liggett has a \$35,000 credit facility under which \$0 was outstanding at March 31, 2001. Availability under the facility was approximately \$28,376 based on eligible collateral at March 31, 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 9.5% at March 31, 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 March 31, 2001, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$19,459 and net working capital was \$14,820, 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, of which \$4,140 was outstanding at March 31, 2001. The loan is payable in 59 monthly installments of \$60 including annual interest at 1% above the prime rate with a final payment of \$1,500. 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, of which \$3,835 was outstanding at March 31, 2001. The loan, which is collateralized by the equipment and guaranteed by BGLS and the Company, is payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550. 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, the Company's predecessor and a wholly-owned subsidiary of BGLS) 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. The Company 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 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 Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. The agreement calls for the payment by Liggett of \$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. 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 the Company 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 the Company'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 the Company'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. On February 20, 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, BGLS 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.

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

The notes are collateralized by substantially all of BGLS' assets, including a pledge of BGLS' 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 BGLS and NV Holdings. The purchase agreement for the notes contains covenants, which among other things, limit the

ability of BGLS to make distributions to the Company to 50% of BGLS' net income, unless BGLS holds \$50,000 in cash after giving effect to the payment of the distribution, limit additional indebtedness of BGLS, 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 BGLS to merge, consolidate or sell certain assets.

Prior to May 24, 2003, BGLS 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. BGLS 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, BGLS is required to offer to repurchase all the notes at a purchase price of 101%, 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.

THE COMPANY. The Company 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 \$6,000, dividends on the Company's shares (currently at an annual rate of approximately \$41,600) and corporate expenses. The Company 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.

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 of 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 Ladenburg are subject to due diligence reviews by Ladenburg'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. Ladenburg 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. Ladenburg maintained inventories of trading securities at March 31, 2001 with fair values of \$8,566 in long positions and \$2,685 in short positions. Ladenburg 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 Ladenburg's financial instruments at March 31, 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 \$28,516 at March 31, 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 FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 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. The Company adopted SFAS No. 133 on January 2, 2001, the effect of which did not have a material impact on its balance sheet.

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 earnings 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 earnings will be recorded as a reduction of operating revenues. The Company 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.

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 consolidated financial statements of Vector Group Ltd. included elsewhere in this Report on Form 10-Q which contains a general description of certain legal proceedings to which the Brooke Group Holdings, BGLS, 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, BGLS 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 March 31, 2001, except for the grant of stock options to employees of the Company and/or its subsidiaries as described in Note 10 to the Company's consolidated financial statements. The foregoing transactions were effected in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933 or did not involve a "sale" under the Securities Act of 1933.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Stock Option Agreement, dated January 22, 2001, between Vector and Bennett S. LeBow.
- 10.2 Stock Option Agreement, dated January 22, 2001, between Vector and Howard M. Lorber.
- 10.3 Employment Agreement, dated as of January 17, 2001, between Vector and Howard M. Lorber.
- *10.4 Stipulation and Agreed Order regarding Stay of Execution Pending Review and Related Matters, dated May 7, 2001, entered into by Philip Morris Incorporated, Lorillard Tobacco Co., Liggett Group Ltd. and Brooke Group Holding Inc. and the class counsel in Engel, et. al., v. R. J. Reynolds Tobacco Co., et. al. (incorporated by reference to Exhibit 99.2 in Philip Morris Companies Inc.'s Form 8-K dated May 7, 2001, Commission File No. 1-8940).
- 99.1 Material Legal Proceedings.
- *99.2 New Valley Corporation's Interim Consolidated Financial Statements for the quarterly periods ended March 31, 2001 and 2000 (incorporated by reference to New Valley's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, Commission File No. 1-2493).

- - - - -
* Incorporated by reference

(b) Reports on Form 8-K

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, Treasurer and
Chief Financial Officer
(Duly Authorized Officer and
Chief Accounting Officer)

Date: May 14, 2001

VECTOR GROUP LTD.
100 S.E. SECOND STREET, 32ND FLOOR
MIAMI, FLORIDA 33131

January 22, 2001

Mr. Bennett S. LeBow
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131

Dear Mr. LeBow:

We are pleased to inform you that Vector Group Ltd. (the "Company") has granted you a nonqualified option (the "Option") to purchase 500,000 shares of the Company's common stock, par value \$.10 per share (the "Common Stock"), at a purchase price of \$19.125 per share, subject to adjustment (any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares"), pursuant to the Company's 1999 Long-Term Incentive Plan, as may be and is in effect and as amended from time to time (the "Plan"). This agreement is subject in all respects to the terms and provisions of the Plan, all of which terms and provisions are made a part of and incorporated in this agreement as if they were each expressly set forth herein. In the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan shall control.

1. The Option may be exercised on or prior to the tenth anniversary of the date of grant (after which date the Option will, to the extent not previously exercised, expire), provided the Option shall only vest and become exercisable as to all of the aggregate shares covered thereby on November 4, 2003. However, the Option shall earlier vest and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 6(f) of the Employment Agreement dated as of June 1, 1995, as amended as of January 1, 1996, by and between you and New Valley Corporation, regardless of whether the Employment Agreement is then in effect (the "Employment Agreement"), or (ii) the termination of your employment with the Company due to death or Disability (as defined in Section 2.8 of the Plan).

2. The Option, from and after the date it vests and becomes exercisable pursuant to Section 1 hereof, may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of

Mr. Bennett S. LeBow
January 22, 2001
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Common Stock already owned by you for at least six months and having a fair market value on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including, if applicable, the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 9 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of nine months after the termination of your employment (one year in the event of death or Disability), or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution, (ii) as a gift to a foundation, charity or other not-for-profit organization, or (iii) for transfers to your family members or trusts or other entities whose beneficiaries are your family members, provided that such transfer is being made for estate, tax and/or personal planning purposes.

5. In the event of your death or Disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or Disability.

6. In the event of any change in capitalization affecting the Common Stock of the Company, including, without limitation, a stock dividend or other distribution, stock split, reverse stock split, recapitalization, consolidation, subdivision, split-up, spin-off, split-off, combination or exchange of shares or other form of reorganization or recapitalization, or any other change affecting the Common Stock, the aggregate number of shares of Common Stock covered by the Option and the exercise price per share of Common Stock subject to the Option shall be proportionately adjusted by the Company.

Mr. Bennett S. LeBow
January 22, 2001
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7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. Unless at the time of the exercise of any portion of the Option a registration statement under the Securities Act of 1933, as amended (the "Act"), is in effect as to the Shares, the Shares shall be acquired for investment and not for sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

10. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any sales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; and (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares.

11. In the event of the payment of any dividends or other distributions in respect of the Common Stock on or after the date hereof, through and including the tenth anniversary of the date of grant, you shall receive, within ten days of the payment of such dividend or distribution, a payment equal to the amount of any such dividends or other distributions that would have been paid to you had you been at the record date for such dividends or other distributions a shareholder of the Shares issuable upon exercise of any then unexercised portion of the Option, whether vested or unvested.

12. The Company represents and warrants to you as follows: (i) this agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the Company and this letter agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange

Mr. Bennett S. LeBow
January 22, 2001
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Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

13. Promptly following the date hereof, the Company shall use its best efforts to file and keep in effect a Registration Statement on Form S-8, Form S-3 or other applicable form to register under the Act the Shares issuable to you upon exercise of the Option and the resale thereof by you.

14. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Mr. Bennett S. LeBow
January 22, 2001
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Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

VECTOR GROUP LTD.

By: /s/ Richard J. Lampen

Richard J. Lampen
Executive Vice President

AGREED TO AND ACCEPTED:

/s/ Bennett S. Lebow

Bennett S. LeBow

EXHIBIT A

Vector Group Ltd.
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131

Gentlemen:

Notice is hereby given of my election to purchase _____ shares of Common Stock, \$.10 par value (the "Shares"), of Vector Group Ltd., at a price of \$_____ per Share, pursuant to the provisions of the stock option granted to me on January 22, 2001. Enclosed in payment for the Shares is:

[] my check in the amount of \$_____.

[] _____ Shares having a total value of \$_____, such value being based on the closing price(s) of the Shares on the date hereof.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates and Denominations _____

Name _____

Address _____

Social Security No. _____

Dated:

Very truly yours,

Bennett S. LeBow

VECTOR GROUP LTD.
100 S.E. SECOND STREET, 32ND FLOOR
MIAMI, FLORIDA 33131

January 22, 2001

Mr. Howard M. Lorber
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131

Dear Mr. Lorber:

We are pleased to inform you that Vector Group Ltd. (the "Company") has granted you a nonqualified option (the "Option") to purchase 250,000 shares of the Company's common stock, par value \$.10 per share (the "Common Stock"), at a purchase price of \$19.125 per share, subject to adjustment (any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares"), pursuant to the Company's 1999 Long-Term Incentive Plan, as may be and is in effect and as amended from time to time (the "Plan"). This agreement is subject in all respects to the terms and provisions of the Plan, all of which terms and provisions are made a part of and incorporated in this agreement as if they were each expressly set forth herein. In the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan shall control.

1. The Option may be exercised on or prior to the tenth anniversary of the date of grant (after which date the Option will, to the extent not previously exercised, expire), provided the Option shall only vest and become exercisable as to all of the aggregate shares covered thereby on November 4, 2003. However, the Option shall earlier vest and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 6(f) of the Employment Agreement dated as of June 1, 1995, as amended as of January 1, 1996, by and between you and New Valley Corporation ("New Valley"), a Subsidiary (as defined in Section 2.18 of the Plan) of the Company, regardless of whether the Employment Agreement is then in effect (the "Employment Agreement"), other than any Change in Control arising by reason of a testamentary bequest by Bennett S. LeBow to or for the benefit of his surviving spouse of any or all securities of the Company or of New Valley beneficially owned by him as of the date of death, so long as, following the bequest, the event referenced in Section 6(f)(ii) of the Employment Agreement shall not have occurred, or (ii) the termination of your employment with the Company due to death or Disability (as defined in Section 2.8 of the Plan).

Mr. Howard M. Lorber
January 22, 2001
Page 2

2. The Option, from and after the date it vests and becomes exercisable pursuant to Section 1 hereof, may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of Common Stock already owned by you for at least six months and having a fair market value on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including, if applicable, the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 9 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of nine months after the termination of your employment (one year in the event of death or Disability), or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution, (ii) as a gift to a foundation, charity or other not-for-profit organization, or (iii) for transfers to your family members or trusts or other entities whose beneficiaries are your family members, provided that such transfer is being made for estate, tax and/or personal planning purposes.

5. In the event of your death or Disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or Disability.

6. In the event of any change in capitalization affecting the Common Stock of the Company, including, without limitation, a stock dividend or other distribution, stock split, reverse stock split,

Mr. Howard M. Lorber
January 22, 2001
Page 3

recapitalization, consolidation, subdivision, split-up, spin-off, split-off, combination or exchange of shares or other form of reorganization or recapitalization, or any other change affecting the Common Stock, the aggregate number of shares of Common Stock covered by the Option and the exercise price per share of Common Stock subject to the Option shall be proportionately adjusted by the Company.

7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. Unless at the time of the exercise of any portion of the Option a registration statement under the Securities Act of 1933, as amended (the "Act"), is in effect as to the Shares, the Shares shall be acquired for investment and not for sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

10. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any sales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; and (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares.

11. In the event of the payment of any dividends or other distributions in respect of the Common Stock on or after the date hereof, through and including the tenth anniversary of the date of grant, you shall receive, within ten days of the payment of such dividend or distribution, a payment equal to the amount of any such dividends or other distributions that would have been paid to you had you been at the record date for such dividends or other distributions a shareholder of the Shares issuable upon exercise of any then unexercised portion of the Option, whether vested or unvested.

Mr. Howard M. Lorber
January 22, 2001
Page 4

12. The Company represents and warrants to you as follows: (i) this agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the Company and this letter agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

13. Promptly following the date hereof, the Company shall use its best efforts to file and keep in effect a Registration Statement on Form S-8, Form S-3 or other applicable form to register under the Act the Shares issuable to you upon exercise of the Option and the resale thereof by you.

14. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Mr. Howard M. Lorber
January 22, 2001
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Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

VECTOR GROUP LTD.

By: /s/ Bennett S. Lebow

Bennett S. LeBow
Chairman and Chief Executive Officer

AGREED TO AND ACCEPTED:

/s/ Howard M. Lorber

Howard M. Lorber

EXHIBIT A

Vector Group Ltd.
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131

Gentlemen:

Notice is hereby given of my election to purchase _____ shares of Common Stock, \$.10 par value (the "Shares"), of Vector Group Ltd., at a price of \$_____ per Share, pursuant to the provisions of the stock option granted to me on January 22, 2001. Enclosed in payment for the Shares is:

[] my check in the amount of \$_____.

[] _____ Shares having a total value of \$_____, such value being based on the closing price(s) of the Shares on the date hereof.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates and Denominations	_____
Name	_____
Address	_____

Social Security No.	_____

Dated:

Very truly yours,

Howard M. Lorber

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of January 17, 2001, by and between Vector Group Ltd., a Delaware corporation (the "Company"), and Howard M. Lorber (the "Executive").

WITNESSETH

A. WHEREAS, the Company desires to employ the Executive as President and Chief Operating Officer; and

B. WHEREAS, the Executive is willing to be employed by the Company for the period and upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the Company and the Executive hereby agree as follows:

1. EMPLOYMENT AND TERM.

(a) The Company hereby employs the Executive, and the Executive accepts employment by the Company, as President and Chief Operating Officer of the Company upon the terms and conditions set forth herein.

(b) Subject to paragraphs (c) and (d) of this Section 1 and the provisions for termination hereinafter provided, the term of the Executive's employment hereunder shall be from January 17, 2001 (the "Effective Date") through and including the day immediately preceding the third anniversary of the Effective Date (the "Initial Period").

(c) On the first anniversary of the Effective Date (the "Renewal Date") and on each subsequent anniversary of such date, the term of this Agreement shall automatically be extended by one additional calendar year (the "Extension Period") unless either party shall have provided notice to the other within the sixty-day period prior to such anniversary that such party does not desire to extend the term of this Agreement, in which case no further extension of the term of this Agreement shall occur pursuant hereto but all previous extensions of the term shall continue to be given full force and effect.

(d) For purposes of this Agreement, the term "Employment Period" means the Initial Period, if the term of this Agreement has not been extended pursuant to paragraph 1(c); otherwise, the period beginning on the Effective Date and ending with the last day of the most recently arising Extension Period.

2. DUTIES.

(a) Throughout the Employment Period, the Executive shall be the President and Chief Operating Officer of the Company and shall report to the Chief Executive Officer of the Company. The Executive shall at all times comply with Company policies as established by the Board of Directors of the Company (the "Board").

(b) Throughout the Employment Period, the Executive shall devote substantial services to the Company, including such time as is necessary to perform his duties under this Employment

Agreement fully, diligently and faithfully, and shall use his best efforts to promote the interests of the Company and its subsidiaries and affiliates.

(c) Anything herein to the contrary notwithstanding, nothing shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other business entities, trade associations and/or charitable organizations, (ii) engaging in charitable activities and community affairs, (iii) managing his personal investments and affairs, and (iv) any other activities approved by the Board; provided, however, that such activities do not materially interfere with the proper performance of his duties and responsibilities specified in paragraph (b) of this Section 2.

3. COMPENSATION.

As full compensation to the Executive for his performance of the services hereunder and for his acceptance of the responsibilities described herein, the Company agrees to pay the Executive, and the Executive agrees to accept, the following compensation and other benefits:

(a) BASE SALARY.

During the Employment Period, the Company shall pay the Executive:

(i) A salary (the "Base Salary") at the rate of \$480,000 per annum, payable in equal installments at such payment intervals as are the usual custom of the Company, but not less often than monthly. The Base Salary shall be increased, as of January 1 of each year commencing January 1, 2002, by a cost of living adjustment determined by reference to the Consumer Price Index, All Urban Consumers for New York-Northern New Jersey, All Items (1982-1984 = 100) (the "Index"), or, if publication of the Index is terminated, any substantially equivalent successor thereto. The Base Salary for any year (the "Current Year") following the year that includes the Effective Date shall be determined by multiplying the Base Salary for the year first preceding the

Current Year (the "Prior Year") by the percentage obtained by dividing the Index for the month of December of the Prior Year by the Index for the month of December of the year first preceding the Prior Year. In addition to the foregoing, the Board shall periodically review such Base Salary and may increase (but not decrease) it from time to time, in its sole discretion.

(ii) An annual bonus (the "Bonus Amount") to be determined by the Board, in consultation with the Chief Executive Officer of the Company, by reference to the performance and activities of the Company and its subsidiaries and the Executive's contribution thereto.

(b) BENEFIT PLANS.

During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental and disability plans) and other employee benefit plans, including but not limited to qualified pension plans, established by the Company from time to time for the general and overall benefit of executives of the Company. Nothing herein contained shall be construed as requiring the Company to establish or continue any particular benefit plan in discharge of its obligations hereunder.

(c) DEFERRED COMPENSATION.

Notwithstanding any other provision of this Employment Agreement, the Executive shall have the right to request the receipt of any portion of his Base Salary by any lawful means (including, without limitation, any non-qualified deferred compensation arrangement(s) requested by the Executive), and the Company shall reasonably cooperate with the Executive to grant such request, provided that the granting of such request does not represent inequitable treatment as

concerns other senior employees or executives (in the Company's sole judgment) and does not impose additional costs on the Company other than insignificant administrative costs.

4. VACATION AND OTHER BENEFITS.

The Executive shall be entitled to not less than five (5) weeks of paid vacation each year of his employment hereunder, as well as to such other employment benefits extended or provided to executives of comparable status, including, but not limited to, payment or reimbursement of all reasonable expenses incurred by the Executive in the performance of his responsibilities and the promotion of the Company's businesses, including, without limitation, first-class air travel and lodging, cellular phone charges, club memberships and dues, and travel expenses of the Executive's spouse when accompanying him on business-related trips. The Executive shall submit to the Company periodic statements of all expenses so incurred. Subject to such audits as the Company may deem necessary, the Company shall reimburse the Executive the full amount of any such expenses advanced by him promptly in the ordinary course.

5. EXECUTIVE COVENANTS.

Provided that the Company is not in material default to the Executive on any of its obligations under this Agreement, the Executive agrees as follows:

(a) Except with the consent of or as directed by the Board, or except if compelled by judicial or legal authorities, the Executive shall keep confidential and not divulge to any other person, during the Employment Period or thereafter, any business secrets and other confidential information regarding the Company, its subsidiaries and affiliates, except for information which is or becomes publicly available other than as a result of disclosure by the Executive.

(b) All papers, books and records of every kind and description relating to the business and affairs of the Company, its subsidiaries and affiliates, whether or not prepared by the Executive are the exclusive property of the Company, and the Executive shall surrender them to the Company, at any time upon request, during or after the Employment Period.

(c) During the Employment Period and during any Severance Period (as hereinafter defined), the Executive shall not, without the prior written consent of the Board, compete, directly or indirectly, with the Company, its subsidiaries or affiliates or participate as a director, officer, employee, agent, representative, stockholder, or partner, or have any direct or indirect financial interest as a creditor, in any business which directly or indirectly competes with the Company, its subsidiaries or affiliates; provided, however, that this paragraph (c) shall not restrict the Executive from holding up to 5% of the publicly traded securities of any entity which so competes with the Company.

(d) During the Employment Period and during any Severance Period (as hereinafter defined), the Executive shall not, without the prior written consent of the Board, either for his own account or for any person, firm or company (i) solicit any customers of the Company, its subsidiaries or affiliates, or (ii) solicit or endeavor to cause any employee of the Company, its subsidiaries or affiliates to leave its employment or induce or attempt to induce any such employee to breach any employment agreement with the Company, its subsidiaries or affiliates, or otherwise interfere with the employment of any employee by the Company, its subsidiaries or affiliates.

(e) Without limiting any other provision of this Employment Agreement, the Executive hereby agrees to be bound by and to comply with any obligations known to the Executive and

imposed on the Company, its subsidiaries or affiliates, by law, rule, regulation, ordinance, order, decree, instrument, agreement, understanding or other restriction of any kind.

(f) The Executive hereby agrees to provide reasonable cooperation to the Company, its subsidiaries and affiliates during the Employment Period and any Severance Period in any litigation between the Company, its subsidiaries or affiliates, and third parties.

(g) The parties agree that the Company shall, in addition to other remedies provided by law, have the right and remedy to have the provisions of this Section 5 specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any breach or threatened breach of the provisions of this Section 5 will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive.

6. TERMINATION OF EMPLOYMENT PERIOD AND SEVERANCE.

(a) TERMINATION BY THE COMPANY WITHOUT CAUSE. If for any reason the Company wishes to terminate the Employment Period and the Executive's employment hereunder (including by not extending the term of this Agreement pursuant to Section 1(c)) the Company shall give a written notice to the Executive stating such intention, and the Employment Period shall terminate, and a severance period shall commence, upon the Renewal Date or anniversary thereof next following receipt of such notice (such period, the "Severance Period"). The Severance Period shall continue for thirty-six months. During the Severance Period, the Executive shall continue to receive the Base Salary and benefits under Sections 3(a) and 3(b) (including any benefits under the

Company's long term disability and life insurance plans) of this Employment Agreement as if the Employment Period continued throughout the Severance Period.

(b) DEATH. If the Executive dies during the Employment Period, the Employment Period shall automatically terminate, the Severance Period described in Section 6(a) hereof shall immediately commence and the duties, rights, benefits and other matters during such Severance Period shall be as set forth in Section 6(a), except that the Executive's heirs, beneficiaries, and estate shall be paid and receive all compensation and benefits which the Executive would have received during the Severance Period. If the Executive dies during the Severance Period, his heirs, beneficiaries and estate shall continue to receive compensation and benefits that the Executive would have otherwise received during the remainder of the Severance Period without any offset or reduction and without any duty or obligation by such heirs, beneficiaries or estate.

(c) DISABILITY. If the Executive becomes disabled (as hereinafter defined) during the Employment Period, the Company shall be entitled to terminate his employment upon written notice to the Executive from the Company. In the event of such termination, the Executive shall be released from any duties hereunder, and the Severance Period described in Section 6(a) hereof shall immediately commence. The duties, rights, benefits and other matters during such Severance Period shall be as set forth in Section 6(a), and the Executive shall be entitled to all compensation and benefits during the Severance Period without any offset or reduction except by such amounts, if any, as are paid to the Executive in lieu of compensation for services under any applicable disability or other insurance policies of the Company (or by the Company under any self insurance plan). For purposes of this Employment Agreement, "Disability" shall mean mental or physical impairment or incapacity rendering the Executive substantially unable to perform his duties under this

Employment Agreement for more than 180 days out of any 360-day period during the Employment Period. A determination of Disability shall be made by the Board in its sole discretion upon its own initiative or upon request of the Executive or a person acting on his behalf. The Employment Period shall cease upon the making of a determination of Disability. If the Executive becomes disabled during a Severance Period, he shall continue to receive the compensation and benefits of this Employment Agreement during the entire Severance Period without any offset or reduction, except by such amounts, if any, as are paid to the Executive in lieu of compensation for services under any applicable disability or other insurance policies of the Company (or by the Company under any self insurance plan).

(d) TERMINATION BY THE COMPANY FOR CAUSE. The Company, by written notice to the Executive, shall have the right to terminate the Employment Period in the event of any of the following (any of which shall constitute "Cause"):

(i) The Executive's intentional refusal to perform such duties as are consistent with his positions, as described above, with the Company (other than as a result of Disability);

(ii) The Executive's fraud, dishonesty, or deliberate injury to the Company in the performance of his duties;

(iii) The Executive's breach of any provision of this Agreement which is materially damaging to the financial position of the Company and its subsidiaries and affiliates taken as a whole;

provided, however, that the Executive may not be terminated under any of the foregoing clauses (i) through (iii) unless he shall have first received thirty days' prior written notice from the Board advising him of the specific acts or omissions alleged to constitute the basis for such termination

and the Executive (and his representative) shall have been afforded an opportunity to appear before the Board to explain why the Executive believes that cause did not occur, and, with respect to any acts or omissions alleged to constitute a refusal to perform duties described in clause (i), or a material breach described in clause (iii), such acts or omissions continue after the Executive shall have had a reasonable opportunity to correct the acts or omissions cited in the notice.

Any termination under this Section 6(d) shall not be followed by a Severance Period and shall be without damages or liability to the Company for compensation and other benefits which otherwise would have accrued to the Executive hereunder, but any unpaid compensation, benefits and reimbursements accrued through the date of such termination, including Base Salary and any unpaid Bonus Amount, shall be paid to the Executive at the times normally paid by the Company.

(e) VOLUNTARY TERMINATION BY THE EXECUTIVE. In the event of the voluntary termination of employment by the Executive, the terms of the last paragraph of Section 6(d) shall apply, except in the event that such voluntary termination occurs within ninety days of (i) a material diminution of the Executive's duties and responsibilities provided in Section 2, (ii) a reduction of the Executive's base salary or any other material breach of any provision of this Agreement by the Company, or (iii) relocation of the Executive's office from the New York City or Miami metropolitan areas, in which case the provisions of Section 6(a) shall apply.

(f) TERMINATION FOLLOWING A CHANGE IN CONTROL. For purposes of this Agreement, a "Change in Control" shall occur if or upon the occurrence of:

(i) Any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) acquires "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of any securities of the Company

which generally entitles the holder thereof to vote for the election of directors of the Company (the "Voting Securities"), which, when added to the Voting Securities then "Beneficially Owned" by such person, would result in such Person "Beneficially Owning" forty percent (40%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, that for purposes of this paragraph (i), a Person shall not be deemed to have made an acquisition of Voting Securities if such Person: (a) acquires Voting Securities as a result of a stock split, stock dividend or other corporate restructuring in which all stockholders of the class of such Voting Securities are treated on a pro rata basis; (b) acquires the Voting Securities directly from the Company; (c) becomes the Beneficial Owner of more than the permitted percentage of Voting Securities solely as a result of the acquisition of Voting Securities by the Company, which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by such Person; (d) is the Company or any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Controlled Entity"); or (e) acquires Voting Securities in connection with a "Non-Control Transaction" (as defined in paragraph (iii) below); or

(ii) The individuals who, as of January 17, 2001 are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Incumbent Board, provided, however, that if either the election of any new director or the nomination for election of any new director was approved by a vote of more than two-thirds of the Incumbent Board, such new director shall be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Shareholder approval of:

(a) A merger, consolidation or reorganization involving the Company (a "Business Combination"), unless

(1) the stockholders of the Company immediately before the Business Combination, own, directly or indirectly immediately following the Business Combination, at least fifty-one percent (51%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from the Business Combination (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before the Business Combination, and

(2) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for the Business Combination constitute at least a majority of the members of the Board of Directors of the relevant Surviving Corporation, and

(3) no Person (other than the Company, or any Controlled Entity, a trustee or other fiduciary holding securities under one or more employee benefit plans or arrangements (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Controlled Entity, or any Person who, immediately prior to the Business Combination, had Beneficial Ownership of forty percent (40%) or more of the then outstanding Voting Securities) has Beneficial Ownership of forty percent (40%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities (a transaction described in this subparagraph (a) shall be referred to as a "Non-Control Transaction");

(b) A complete liquidation or dissolution of the Company; or

(c) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Controlled Entity).

Notwithstanding the foregoing, (x) a Change in Control shall not be deemed to occur solely because forty percent (40%) or more of the then outstanding Voting Securities is Beneficially Owned by (A) a trustee or other fiduciary holding securities under one or more employee benefit plans or arrangements (or any trust forming a part thereof) maintained by the Company or any Controlled Entity or (B) any corporation which, immediately prior to its acquisition of such interest, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company, immediately prior to such acquisition; (y) a Change in Control shall not be deemed to occur by reason of a testamentary bequest by Bennett S. LeBow to or for the benefit of his surviving spouse of any or all securities of the Company Beneficially Owned by him as of the date of death, so long as, following the bequest, the event referenced in Section 6(f)(ii) shall not have occurred; and (2) if the Executive ceases to be an employee of the Company and the Executive reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control and who effectuates a Change in Control or (B) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes hereof, the date of a Change in Control with respect to the Executive shall mean the date immediately prior to the date of such termination of employment.

If within two years of a Change in Control, the Employment Period is terminated by the Company without Cause (other than for reason of Death or Disability) or by the Executive for any (or all) of the reasons set forth in Sections 6(e)(i), (ii) or (iii), the Company shall pay the Executive in cash in a lump sum to be paid as soon as practicable following termination, an amount equal to 2.99 times the sum of (A) the annual Base Salary of the Executive immediately prior to such termination and (B) the Bonus Amounts earned by him for the twelve-month period ending with the last day of the month immediately preceding the month in which such termination occurs. The Executive shall also be entitled to continue to participate in all employee benefit plans in which he was participating on the date of termination of his employment until the earlier of (X) the end of the Employment Period or (Y) the date he receives equivalent coverage and benefits under the plans and programs of a subsequent employer. In addition, for a thirty-six month period after such termination, the Company shall arrange to provide the Executive, at the Company's expense, with life, disability, accident, and health and medical insurance benefits substantially similar to those which the Executive was receiving immediately prior to such termination; but benefits otherwise receivable by the Executive pursuant to this sentence shall be reduced to the extent comparable benefits are actually received by him during such period following such termination, and any such benefits actually received by the Executive shall be reported to the Company. There shall be no Severance Period following a termination under this Section 6(f), and upon such a termination the Executive shall no longer be bound by the provisions of Section 5 of this Employment Agreement.

7. GROSS-UP PAYMENT. If it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive pursuant to this Agreement (a "Base Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"), then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that the net amount retained by him, after the calculation and deduction of any Excise Tax on the Base Payment and any federal, state, and local income taxes and Excise Tax on the Gross-Up Payment, shall be equal to the Base Payment. In determining this amount, the amount of the Gross-Up Payment attributable to federal income taxes shall be reduced by the maximum reduction in federal income taxes that could be obtained by the deduction of the portion of the Gross-Up Payment attributable to state and local income taxes. Additionally, the Gross-Up Payment shall be reduced by income or excise tax withholding payments made by the Company to any federal, state, or local taxing authority with respect to the Gross-Up Payment that were not deducted from compensation payable to the Executive.

All determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, except as specified above, shall be made by the Company's independent auditor (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within fifteen business days after the receipt of notice from the Executive that there should be a Gross-Up Payment. The determination of tax liability made by the Accounting Firm shall be subject to review by the Executive's tax advisor, and if said tax advisor does not agree with the determination reached by the Accounting Firm, then the Accounting Firm and said tax advisor shall jointly designate a nationally recognized public accounting firm, which shall make the determination. All fees and expenses of the accountants and tax advisors retained by either the Executive or the Company shall be borne by the Company. Any

Gross-Up Payment shall be paid by the Company to the Executive within five days after the receipt of the determination. Any determination by a jointly designated public accounting firm shall be binding upon the Company and the Executive.

As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination hereunder, it is possible that Gross-Up Payments shall not have been made by the Company that should have been made consistent with the calculations required to be made hereunder ("Underpayment"). In the event that the Executive thereafter is required to make a payment of any Excise Tax, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the event that the Gross-Up Payment exceeds the amount subsequently determined to be due, such excess shall constitute a loan from the Company payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

8. NO MITIGATION OF DAMAGES. In the event the employment of the Executive under this Agreement is terminated by the Company, the Executive shall not be required to seek comparable employment so as to minimize any obligation of the Company to compensate him for any damages he may suffer by reason of such wrongful termination.

9. INDEMNIFICATION.

(a) The Company agrees to indemnify the Executive to the fullest extent permitted by applicable law with respect to any acts or non-acts he may have committed while he was an officer, director, employee, agent or fiduciary (i) of the Company or its affiliated entities, or (ii) at the request of the Company, of any other entity. The Executive shall have legal fees and other expenses paid to him in advance of final disposition of a proceeding provided he executes an undertaking to repay such amounts if, and to the extent, required to do so by applicable law.

(b) The Company agrees to maintain for the Executive a directors' and officers' liability insurance policy not less favorable than any policy that the Company or any subsidiary or affiliate thereof maintains for its directors and executive officers in general.

(c) This paragraph 9 establishes contract rights which shall be binding upon, and shall inure to the benefit of the heirs, executors, personal and legal representatives, successors and assigns of the Executive. The obligations set forth in this paragraph 9 shall survive any termination of this Agreement.

10. CONFLICTING AGREEMENTS.

The Executive hereby represents and warrants to the Company that his entering into his Employment Agreement, and the obligations and duties undertaken by him hereunder, will not conflict with, constitute a breach of, or otherwise violate the terms of any other employment or other agreement to which he is a party. The Company represents and warrants that it is a corporation duly organized and existing under the laws of the State of Delaware and that execution and delivery of this Employment Agreement has been duly authorized by all necessary corporate action.

11. ASSIGNMENT.

(a) BY THE EXECUTIVE. This Employment Agreement and any obligations hereunder shall not be assigned, pledged, alienated, sold, attached, encumbered or transferred in any way by the Executive and any attempt to do so shall be void.

(b) BY THE COMPANY. Provided the substance of the Executive's duties set forth in Section 2 shall not change, and provided that the Executive's compensation as set forth in Section 3 shall not be adversely affected, the Company may, after obtaining the prior written consent of the Executive, assign or otherwise transfer this Employment Agreement to any succeeding entity without limitation, which entity shall assume all rights and obligations hereunder.

12. ARBITRATION.

(a) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of New York, New York before a panel of three (3) arbitrators in accordance with the rules of the American Arbitration Association then pertaining in the City of New York. In any such arbitration, one arbitrator shall be selected by each of the parties, and the third arbitrator shall be selected by the first two arbitrators. The arbitration award shall be final and binding upon the parties and judgment thereon may be entered in any court having jurisdiction thereof. The arbitrators shall be deemed to possess the powers to issue mandatory orders and restraining orders in connection with such arbitration; provided, however, that nothing in this Section 12 shall be construed so as to deny the Company the right and power to seek and obtain injunctive relief in a court of equity for any breach or threatened breach of the Executive of any of his covenants contained in paragraph 5 hereof.

(b) All costs, fees and expenses of any arbitration or litigation in connection with this Agreement, including, without limitation, attorneys' fees of the Executive and the Company, shall be borne by, and be the obligation of, the Company. The obligations of the Company under this Section 12 shall survive the termination of this Agreement (whether such termination is by the Company, the Executive, upon the expiration of this Agreement, or otherwise).

13. NOTICES.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class, registered mail, return receipt requested, postage and registry fees prepaid, to the applicable party and addressed as follows:

(a) if to the Company:

Vector Group Ltd.
100 S.E. Second Street
Miami, Florida 33131
Attn: Chief Executive Officer

(b) if to the Executive:

Howard M. Lorber
8061 Fisher Island Drive
Fisher Island, Florida 33109

Addresses may be changed by notice in writing signed by the addressee.

14. MISCELLANEOUS.

(a) If any provision of this Employment Agreement shall, for any reason, be adjudicated by any court of competent jurisdiction to be invalid or unenforceable, such judgment shall not effect, impair or invalidate the remainder of this Employment Agreement but shall be confined in its operation to the jurisdiction in which made and to the provisions of this Employment Agreement directly involved in the controversy in which such judgment shall have been rendered.

(b) No course of dealing and no delay on the part of any party hereto in exercising any right, power or remedy under or relating to this Employment Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, power and remedies. No single or partial exercise of any rights, powers or remedies under or relating to this Employment Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

(c) This Employment Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument, and all signatures need not appear on any one counterpart.

(d) All payments required to be made to the Executive by the Company hereunder shall be subject to any applicable withholding under any applicable Federal, state, or local tax laws. Any such withholding shall be based upon the most recent form W-4 filed by the Executive with the Company, and the Executive may from time to time revise such filing.

(e) This Employment Agreement embodies the entire understanding, and supersedes all other oral or written agreements or understandings, between the parties regarding the subject matter hereof. No change, alteration or modification hereof may be made except in writing signed by both parties hereto. The headings in this Employment Agreement are for convenience of reference only and shall not be considered part of this Employment Agreement or limit or otherwise affect the meaning hereof. This Employment Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the state of New York (disregarding any choice of law rules which might look to the laws of any other jurisdiction).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Employment Agreement as of the day and year first written above.

VECTOR GROUP LTD.

By: /s/ Bennett S. Lebow

Bennett S. LeBow
Chairman and Chief Executive Officer

/s/ Howard M. Lorber

HOWARD M. LORBER

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.

REPUBLIC OF BELIZE V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-8320-CA-01, Circuit Court of the 11th Judicial Circuit, State of 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 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 GOIAS, 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 Goias, 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. 0026068 CA-8, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 10/5/00). The Republic of Honduras 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.

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 is 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. -

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.

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.

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 COOK V. PHILIP MORRIS, ET AL., Case No. 97L04550, Circuit Court, State of Illinois, Cook County (case filed 7/21/97). County of Cook seeks to obtain declaratory and equitable relief and restitution as well as to recover money damages resulting from payment by the County for tobacco-related medical treatment for its citizens and health insurance for its employees.

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 JANEIRO OF THE FEDERATED REPUBLIC OF BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET al., Case No. CV-32198, District of Angelina County, State of Texas (case filed 7/12/99). The State of Rio de Janeiro of The Federated Republic of Brazil seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

II. THIRD-PARTY PAYOR ACTIONS

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.

UA LOCAL NO. 393 HEALTH AND WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 798474-3, Superior Court of California, County of Alameda (case filed 5/21/98). 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.

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.

ASBESTOS CLAIMS MANAGEMENT CORPORATION, ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2000-616, Circuit Court, Mississippi, Jefferson County (case filed 4/18/2001). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

ASBESTOS CLAIMS MANAGEMENT CORPORATION, ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-85, Circuit Court, Mississippi, Claiborne County (case filed 4/18/2001). Manufacturing and individuals plaintiffs seek

recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

COMBUSTION ENGINEERING, INC., ET AL. V. RJR NABISCO, ET AL., Case No. 2000-617, Circuit Court, Mississippi, Jefferson 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.

COMBUSTION ENGINEERING, INC., ET AL. V. RJR NABISCO, ET AL., Case No. 2001-86, 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.

GASKET HOLDINGS, ET AL. V. RJR NABISCO, INC., ET AL. Case No. 2000-225, Chancery Court, Mississippi, Jefferson County (case filed 12/18/2000). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

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.

T& N, LTD., ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2000-68, Circuit Court, Mississippi, Jefferson 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.

T& N, LTD., ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-87, 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.

THOMAS, EZELL, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 96-0065, Circuit Court of Mississippi, Jefferson County (case filed 10/9/98). Plaintiffs in this putative personal injury class action seek a judgment against both tobacco companies and asbestos companies, and represent all similarly situated adult smokers resident in the state of Mississippi. Owens Corning Fiberglass is also a plaintiff in this action and seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

UNIROYAL HOLDING, INC., ET AL. V. RJR NABISCO, INC., Case No. 2000-627, Circuit Court, Mississippi, Jefferson County (case filed 4/4/2001). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

W. R. GRACE & CO.-CONN., ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-58, Circuit Court, Mississippi, Jefferson County (case filed 5/23/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

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.

BLUE CROSS AND BLUE SHIELD OF NEW JERSEY, ET AL. V. PHILIP MORRIS, INCORPORATED, ET AL., Case No. CV-98-3287(JBW), USDC, Eastern District of New York (case filed 4/29/98). Twenty-five health plans seek to recover moneys expended on healthcare costs purportedly attributed to tobacco-related diseases caused by Defendants.

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.

FALISE V. THE AMERICAN TOBACCO CO., ET AL., Case No. CV 97-7640(JBW), USDC, Eastern District of New York (case filed 11/31/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

H.K. PORTER COMPANY, INC. V. B.A.T. INDUSTRIES, P.L.C., ET AL., Case No. 97-7658(JBW), USDC, Eastern District of New York (case filed 6/19/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

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.

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

SCOTT, ET AL. V. THE AMERICAN TOBACCO COMPANY, INC., ET AL., Civil District, Parish of Orleans, Louisiana (case filed 5/24/96). This personal injury class action is brought on behalf of plaintiffs seek damages for their physical and economic losses and emotional distress and all equitable relief.

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 1 V. PHILIP MORRIS INCORPORATED, ET AL., Demand letter and draft complaint, Superior Court, Massachusetts, Middlesex County.

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.

NATIONAL TOBACCO CONSUMERS' GROUP NUMBER 13 V. PHILIP MORRIS INCORPORATED, ET AL., Demand letter and draft complaint, Superior Court, Massachusetts, Middlesex County.

POIRIER, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Demand letter and draft complaint, Superior Court, Massachusetts, Middlesex County.

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.

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.

DIENNO, VITO AND MARTIN N. HALLNAN, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. CV-S-98-489-DWH (RLH), District Court, Clark County, Nevada (case filed 12/22/97). This action is brought on behalf of all Nevada casino workers that allegedly have been injured by exposure to environmental tobacco smoke.

SELCER, ET AL. V. R. J. REYNOLDS, ET AL., Case No. CV-S-97-00334-PMP (RLH), USDC, District of Nevada (case filed 9/3/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Nevada.

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.

AKSAMIT, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 6:97-3636-21, USDC, District of South Carolina, Greenville Division (case filed 11/24/97). This personal injury putative class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in South Carolina.

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.

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.

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.

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.

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.

POTTS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 41844, 40th Judicial District, State of Louisiana, St. John the Baptist Parish (case filed 4/6/00). Seven 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.

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.

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

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.

BANKS, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2000-136, Circuit Court, Mississippi, Jefferson County (case filed 12/22/2000). Six individuals suing.

BARKER, PEARLIE, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2001-64, Circuit Court, Mississippi, Jefferson County (case filed 3/30/01). Three individuals suing.

BLTHE 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.

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, USDC, 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.

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.

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.

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.

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).

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.

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.

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.

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.

KNUTSEN, 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.

MAGNUS V. FORTUNE BRANDS, INC., ET AL., Case No. CV-98-3441, USDC, Eastern District of New York (case filed 5/6/98). Three 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. I1998/9921, 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.

RICCO, 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.

BABB V. PHILIP MORRIS, INC., ET AL., Case No. 6:00-2550-20BG, USDC, South Carolina (case filed 1/2/2001). One individual suing.

LABELLE V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 2-98-1879-23, USDC, South Carolina (case filed 11/4/98). One individual suing.

LITTLE V. BROWN & WILLIAMSON, ET AL., Case No. 98-CD-10-2156, USDC, South Carolina (case filed 6/26/98). Two individuals 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.

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.

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.

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.

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.

AMENT, ET AL. V. TOMMY G. THOMPSON, ET AL., Case No. 00CV1159, Circuit Court, Dane County, Wisconsin (case filed 4/28/00). This action seeks to recover damages attributable to the past, present and future tobacco-related healthcare costs and expenses of the plaintiffs.

LAPEAN, ET AL. V. TOMMY G. THOMPSON, ET AL., Case No. 00CV1162, Circuit Court, Dane County, Wisconsin (case filed 4/28/00). This action seeks to recover damages attributable to the past, present and future tobacco-related healthcare costs and expenses of the plaintiffs.

VI. PRICE FIXING CASES

GRAY, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. C2000 0781, Superior Court, Pima County, Arizona (case filed 2/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Arizona.

GREER, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 309826, Superior Court, San Francisco, California (case filed 2/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

MORSE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 822825-9, Superior Court, Alameda County, California (case filed 2/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

MUNOZ, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 309834, Superior Court, San Francisco City and County, California (case filed 2/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

PEIRONA, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 310283, Superior Court, San Francisco City and County, California (case filed 2/28/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

TEITLER V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823161-9, Superior Court, County of Alameda, California (case filed 2/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

SULLIVAN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823162-8, Superior Court, County of Alameda, California (case filed 2/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

ULAN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 823160-0, Superior Court, County of Alameda, California. In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

SAND V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. BC225580, Superior Court, County of Los Angeles, California. In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

BELMONTE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 825112-1, Superior Court, County of Alameda, California (case filed 4/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

BELCH V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 825115-8, Superior Court, County of Alameda, California (case filed 4/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

AGUAYO V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826420-8, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

PHILLIPS V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826421-7, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

CAMPE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 826425-3, Superior Court, County of Alameda, California (case filed 5/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of California.

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.

LENNON, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 102396, Supreme Court of New York, New York County, New York (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 New York.

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.

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.