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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 12, 2013

**VECTOR GROUP LTD.**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**

(State or Other Jurisdiction of Incorporation)

**1-5759**

(Commission File Number)

**65-0949535**

(I.R.S. Employer Identification No.)

**100 S.E. Second Street, Miami, Florida**

(Address of Principal Executive Offices)

**33131**

(Zip Code)

**(305) 579-8000**

(Registrant's Telephone Number, Including Area Code)

**(Not Applicable)**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 240.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Item 1.01 Entry into a Material Definitive Agreement.

### *Indenture and 7.750% Senior Secured Notes due 2021*

On February 12, 2013, Vector Group Ltd. (the “Company”) completed the sale of \$450.0 million of its 7.750% senior secured notes due 2021 (the “Notes”) to qualified institutional buyers and pursuant to Regulation S in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). The Notes were issued under an indenture, dated February 12, 2013, among the Company, the subsidiaries of the Company party thereto as note guarantors (the “Guarantors”) and U.S. Bank National Association, as trustee (the “Indenture”).

The aggregate net cash proceeds from the sale of the Notes were approximately \$438.2 million after deducting the initial purchaser’s (the “Initial Purchaser”) discount and estimated expenses and fees payable by the Company in connection with the Notes offering. The Company used the net cash proceeds from the Notes offering to pay a portion of (i) the consideration for a cash tender offer for the Company’s 11% senior secured notes due 2015 (the “Existing Notes”), (ii) the redemption price for Existing Notes that were not tendered in the cash tender offer, plus accrued and unpaid interest, and (iii) fees and expenses in connection with the cash tender offer and redemption of the Existing Notes.

The Company will pay cash interest at a rate of 7.750% per year, payable semi-annually on February 15 and August 15 of each year, beginning on August 15, 2013. Interest on overdue principal and interest and liquidated damages, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding February 1 and August 1.

The Notes are fully and unconditionally guaranteed on a joint and several basis by all of the domestic subsidiaries of the Company that are engaged in the conduct of the Company’s cigarette businesses. In addition, some of the guarantees are secured by first or second priority security interests in certain collateral of some of the Guarantors pursuant to security and pledge agreements, subject to certain permitted liens and exceptions as further described in the Indenture and the security documents relating thereto. The Company will not provide any security for the notes.

The Notes will be the Company’s general senior obligations and will be *pari passu* in right of payment with all of the Company’s existing and future senior indebtedness, will be senior in right of payment to all of the Company’s future subordinated indebtedness, if any, and will be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of the non-Guarantor subsidiaries of the Company (other than indebtedness and liabilities owed to the Company or one of the Guarantors). Each guarantee of the Notes will be the general obligation of the Guarantor and will be *pari passu* in right of payment with all other senior indebtedness of the Guarantor, including the indebtedness of Liggett Group LLC (“Liggett Group”) and 100 Maple LLC (“Maple”) under their senior secured revolving credit facility with Wells Fargo Bank, National Association (the “Liggett Secured Revolving Credit Facility”). Each guarantee of the Notes will be senior in right of payment to all future subordinated indebtedness of the Guarantor, if any, and will be effectively senior in right of payment to all existing and future unsecured indebtedness of the Guarantor to the extent of the value of the assets that secure such guarantee. Each guarantee of the Notes will be effectively subordinated to indebtedness that is secured by a higher priority lien than the lien securing the guarantee, if any, to the extent of the value of the collateral securing such indebtedness.

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The Notes mature on February 15, 2021. The Company may redeem some or all of the Notes at any time prior to February 15, 2016 at a make-whole redemption price. At any time prior to February 15, 2016, the Company may also, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings at 107.750% of the aggregate principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date. On or after February 15, 2016, the Company may redeem some or all of the Notes at a premium that will decrease over time, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.

In the event of a Change of Control (as defined in the Indenture), each holder of the Notes may require the Company to repurchase some or all of its Notes at a repurchase price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase. If the Company sells certain assets and does not apply the proceeds as required pursuant to the Indenture, it must offer to repurchase the Notes at the prices listed in the Indenture.

If an Event of Default (as defined in the Indenture) occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare the Notes immediately due and payable, except that an Event of Default resulting from a bankruptcy or similar proceeding with respect to the Company or with respect to the Guarantors who, individually or as a group, would constitute a Significant Subsidiary (as defined in the Indenture) will automatically cause the Notes to become immediately due and payable without any declaration or other act on the part of the Trustee or any Note holders.

The Indenture contains covenants that limit the Company and each Guarantor's ability to, among other things: (i) incur additional indebtedness; (ii) pay dividends or make other distributions in respect of or repurchase or redeem its equity interests; (iii) prepay, redeem or repurchase its subordinated indebtedness; (iv) make investments; (v) sell assets; (vi) incur certain liens; (vii) enter into agreements restricting its subsidiaries' ability to pay dividends; (viii) enter into transactions with affiliates; and (ix) consolidate, merge or sell all or substantially all of its assets. These covenants are subject to a number of important exceptions and qualifications, as described in the Indenture.

#### *Registration Rights Agreement*

In connection with the issuance of the Notes, on February 12, 2013, the Company and the Guarantors entered into a Registration Rights Agreement with the Initial Purchaser (the "Registration Rights Agreement"), relating to, among other things, the exchange offer pursuant to which the Company will offer to exchange freely tradable exchange notes and guarantees for the Notes and related guarantees. The exchange notes and guarantees will have substantially identical terms as the Notes and related guarantees, other than the absence of transfer restrictions.

Subject to the terms of the Registration Rights Agreement, the Company and the Guarantors will file an exchange offer registration statement with the Securities and Exchange Commission (the "SEC") on or prior to 240 days after the issuance of the Notes and will use all commercially reasonable efforts to have such exchange offer registration statement declared effective by the SEC on or prior to 330 days after the issuance of the Notes. Unless the exchange offer would not be permitted by applicable law or SEC policy, the Company and the Guarantors will commence the exchange offer and use all commercially reasonable efforts to issue on or prior to 30 business days, or longer, if required by the federal securities laws, after the date on which the exchange offer registration statement was declared effective by the SEC, exchange notes in exchange for all Notes tendered prior thereto in the exchange offer. If obligated to file a shelf registration statement in connection with the exchange offer, the Company and the Guarantors will use all commercially reasonable efforts to file the shelf registration statement with the SEC on or prior to 90 days after such filing obligation arises and to cause the shelf registration statement to be declared effective by the SEC on or prior to 180 days after such obligation arises.

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If the Company and the Guarantors fail to meet these targets or if any registration statement required by the Registration Rights Agreement is declared effective but thereafter ceases to be effective (each, a “Registration Default”), the annual interest rate on the Notes will increase by 0.25% per year for the first 90-day period immediately following the occurrence of any Registration Default. The annual interest rate on the Notes will increase by an additional 0.25% per year for each subsequent 90-day period during which the Registration Default continues, up to a maximum additional interest rate of 1.0% per year over the otherwise applicable annual interest rate of 7.750%. If the Registration Default is corrected, the applicable interest rate will revert to the original level.

#### *Pledge Agreement*

In connection with the issuance of the Notes, on February 12, 2013, VGR Holding LLC (“VGR Holding”) entered into a pledge agreement (the “Pledge Agreement”) with U.S. Bank National Association, in its capacity as collateral agent for the holders of the Notes (the “Collateral Agent”). Pursuant to the Pledge Agreement, VGR Holding granted to the Collateral Agent for the benefit of the holders of the Notes a first priority security interest in all if its right and title in the Pledged Collateral (as defined in the Pledge Agreement) as collateral security for the payment of the Notes, subject to certain permitted liens and exceptions as further described in the Indenture and the Pledge Agreement.

#### *Vector Tobacco Security Agreement*

In connection with the issuance of the Notes, on February 12, 2013, Vector Tobacco Inc. (“Vector Tobacco”) entered into a security agreement (the “Vector Tobacco Security Agreement”) with the Collateral Agent. Pursuant to the Vector Tobacco Security Agreement, Vector Tobacco granted to the Collateral Agent for the benefit of the holders of the Notes a first priority security interest in all if its right and title in the Collateral (as defined in the Vector Tobacco Security Agreement) as collateral security for the payment of the Notes, subject to certain permitted liens and exceptions as further described in the Indenture and the Vector Tobacco Security Agreement.

#### *Liggett Guarantors Security Agreement*

In connection with the issuance of the Notes, on February 12, 2013, Liggett Group and Maple (the “Liggett Guarantors”) entered into a security agreement (the “Liggett Guarantors Security Agreement”) with the Collateral Agent. Pursuant to the Liggett Guarantors Security Agreement, the Liggett Guarantors granted to the Collateral Agent for the benefit of the holders of the Notes a second priority security interest in all if its right and title in the Collateral (as defined in the Liggett Guarantors Security Agreement) as collateral security for the payment of the Notes, subject to certain permitted liens and exceptions as further described in the Indenture and the Liggett Guarantors Security Agreement.

#### *Intercreditor Agreement*

In connection with the issuance of the Notes, on February 12, 2013, the Liggett Guarantors entered into an intercreditor and lien subordination agreement (the “Intercreditor Agreement”) with the Collateral Agent and Wells Fargo Bank, National Association, as lender under the Liggett Secured Revolving Credit Facility (“Wells Fargo”). Pursuant to the Intercreditor Agreement, the liens of the Collateral Agent on the ABL Collateral (as defined in the Intercreditor Agreement) will be subordinated to the liens of Wells Fargo on the ABL Collateral.

#### *Supplemental Indenture to the Existing Notes Indenture*

In connection with the Early Settlement (as defined below) of the Tender Offer and the Consent Solicitation (each as defined below), on February 12, 2013, the Company amended the Indenture, dated as of August 16, 2007, as previously supplemented (the “Existing Notes Indenture”), among the Company, the guarantors party thereto (the “Existing Notes Guarantors”) and U.S. Bank National Association, as trustee and collateral agent (the “Existing Notes Trustee”), pursuant to a Sixth Supplemental Indenture dated as of February 12, 2013, among the Company, the Existing Notes Guarantors and the Existing Notes Trustee (the “Supplemental Indenture”). The Supplemental Indenture amended the Existing Notes Indenture by eliminating substantially all of the restrictive covenants and certain events of default and other related provisions contained in the Existing Notes Indenture. In connection with the Early Settlement of the Tender Offer and the Consent Solicitation, the Supplemental Indenture became operative on February 12, 2013.

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The foregoing summaries of the Notes, the Indenture, the Registration Rights Agreement, the Pledge Agreement, the Vector Tobacco Security Agreement, the Liggett Guarantors Security Agreement, the Intercreditor Agreement and the Supplemental Indenture do not purport to be complete and is qualified in its entirety by reference to the Indenture, the Registration Rights Agreement, the Pledge Agreement, the Vector Tobacco Security Agreement, the Liggett Guarantors Security Agreement, the Intercreditor Agreement and the Supplemental Indenture, attached hereto as Exhibits 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 and 4.7, respectively, and incorporated herein by reference.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth under Item 1.01 above is incorporated by reference into this Item 2.03.

**Item 8.01 Other Events.**

On February 12, 2013, the Company accepted for purchase the Existing Notes (the “Early Settlement”) that were validly tendered and not revoked on or prior to 11:59 p.m., New York City time, on February 11, 2013 (the “Consent Expiration Time”) pursuant to its previously announced cash tender offer (“Tender Offer”) and consent solicitation (“Consent Solicitation”) with respect to all of the Existing Notes. Approximately \$336.3 million, or 81.04% of the outstanding principal amount of the Existing Notes (excluding any Existing Notes owned by the Company, any guarantor of the Existing Notes or any of their respective affiliates), were validly tendered and not withdrawn in the Tender Offer on or prior to the Consent Expiration Time. The Company also received the requisite consents for the execution of the Supplemental Indenture on or prior to the Consent Expiration Time. The remaining conditions upon which the consummation of the Tender Offer and Consent Solicitation are subject have also been satisfied. As a result, on February 12, 2013, payment of the tender offer consideration and consent payment to holders who validly tendered and did not revoke Existing Notes prior to the Consent Expiration Time was made in the aggregate amount of approximately \$368.9 million and the Supplemental Indenture became operative. On February 12, 2013, the Company also issued a notice of redemption for the \$78.7 million principal amount of Existing Notes not tendered on or prior to the Consent Expiration Time at a redemption price of 103.667% and irrevocably deposited with the Existing Notes Trustee an amount sufficient to redeem such Existing Notes with the Existing Notes Trustee, thereby discharging its obligations under the Existing Notes and the Existing Notes Indenture in accordance with the satisfaction and discharge provisions of the Existing Notes Indenture. The redemption of such Existing Notes will occur on March 14, 2013.

**Item 9.01 Financial Statements and Exhibits.**

*(d) Exhibits.*

- 4.1 Indenture, dated as of February 12, 2013, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee.
  - 4.2 Registration Rights Agreement, dated as of February 12, 2013, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee.
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- 4.3 Pledge Agreement, dated as of February 12, 2013, by and between VGR Holding LLC U.S. Bank National Association, as collateral agent.
  - 4.4 Security Agreement, dated as of February 12, 2013, by and between Vector Tobacco Inc. and U.S. Bank National Association, as collateral agent.
  - 4.5 Security Agreement, dated as of February 12, 2013, among Liggett Group LLC, 100 Maple LLC and U.S. Bank National Association, as collateral agent.
  - 4.6 Intercreditor Agreement, dated as of February 12, 2013, among Liggett Group LLC, 100 Maple LLC, U.S. Bank National Association and Wells Fargo Bank, National Association.
  - 4.7 Sixth Supplemental Indenture, dated as of February 12, 2013, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee.
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**SIGNATURE**

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

VECTOR GROUP LTD.

Date: February 12, 2013

By: /s/ J. Bryant Kirkland III  
J. Bryant Kirkland III  
Vice President, Treasurer and Chief Financial Officer

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VECTOR GROUP LTD.

AND EACH OF THE GUARANTORS PARTY HERETO

7.750% SENIOR SECURED NOTES DUE 2021

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INDENTURE

Dated as of February 12, 2013

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U.S. BANK NATIONAL ASSOCIATION

as Trustee and as Collateral Agent

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CROSS-REFERENCE TABLE\*

<i>Trust Indenture Act Section</i>	<i>Indenture Section</i>
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06; 7.07
(c)	7.06; 13.02
(d)	7.06
314(a)	4.03; 13.02; 13.05
(b)	10.08
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(d)	10.05; 10.09; 10.10
(e)	13.05
(f)	N.A.
315(a)	7.01
(b)	7.05; 13.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a) (last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	2.12
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	13.01
(b)	N.A.
(c)	13.01

N.A. means not applicable.

\* This Cross Reference Table is not part of the Indenture.

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TABLE OF CONTENTS

*Page*

**ARTICLE 1  
DEFINITIONS AND INCORPORATION  
BY REFERENCE**

Section 1.01	Definitions	1
Section 1.02	Other Definitions	22
Section 1.03	Incorporation by Reference of Trust Indenture Act	22
Section 1.04	Rules of Construction	22

**ARTICLE 2  
THE NOTES**

Section 2.01	Form and Dating	23
Section 2.02	Execution and Authentication	23
Section 2.03	Registrar and Paying Agent	24
Section 2.04	Paying Agent to Hold Money in Trust	24
Section 2.05	Holder Lists	25
Section 2.06	Transfer and Exchange	25
Section 2.07	Replacement Notes	36
Section 2.08	Outstanding Notes	37
Section 2.09	Treasury Notes	37
Section 2.10	Temporary Notes	37
Section 2.11	Cancellation	38
Section 2.12	Defaulted Interest	38

**ARTICLE 3  
REDEMPTION AND PREPAYMENT**

Section 3.01	Notices to Trustee	38
Section 3.02	Selection of Notes to Be Redeemed or Purchased	38
Section 3.03	Notice of Redemption	39
Section 3.04	Effect of Notice of Redemption	39
Section 3.05	Deposit of Redemption or Purchase Price	40
Section 3.06	Notes Redeemed or Purchased in Part	40
Section 3.07	Optional Redemption	40
Section 3.08	Mandatory Redemption	41
Section 3.09	Offer to Purchase by Application of Excess Proceeds	41

**ARTICLE 4  
COVENANTS**

Section 4.01	Payment of Notes	43
Section 4.02	Maintenance of Office or Agency	43
Section 4.03	Reports	44
Section 4.04	Compliance Certificate	45
Section 4.05	Taxes	45
Section 4.06	Stay, Extension and Usury Laws	45
Section 4.07	Restricted Payments	46
Section 4.08	Dividend and Other Payment Restrictions Affecting Subsidiaries	47
Section 4.09	Incurrence of Indebtedness and Issuance of Preferred Stock	49
Section 4.10	Asset Sales	52

---

Section 4.11	Transactions with Affiliates	54
Section 4.12	Liens	55
Section 4.13	Corporate Existence	55
Section 4.14	Offer to Repurchase Upon Change of Control	55
Section 4.15	Limitation on Sale and Leaseback Transactions	57
Section 4.16	Payments for Consent	57
Section 4.17	Additional Note Guarantees	57
Section 4.18	Unrestricted Subsidiaries	58

ARTICLE 5  
SUCCESSORS

Section 5.01	Merger, Consolidation, or Sale of Assets	58
Section 5.02	Successor Corporation Substituted	59

ARTICLE 6  
DEFAULTS AND REMEDIES

Section 6.01	Events of Default	59
Section 6.02	Acceleration	61
Section 6.03	Other Remedies	62
Section 6.04	Waiver of Past Defaults	62
Section 6.05	Control by Majority	62
Section 6.06	Limitation on Suits	62
Section 6.07	Rights of Holders of Notes to Receive Payment	63
Section 6.08	Collection Suit by Trustee	63
Section 6.09	Trustee May File Proofs of Claim	63
Section 6.10	Priorities	64
Section 6.11	Undertaking for Costs	64

ARTICLE 7  
TRUSTEE

Section 7.01	Duties of Trustee	64
Section 7.02	Rights of Trustee	65
Section 7.03	Individual Rights of Trustee	67
Section 7.04	Trustee's Disclaimer	67
Section 7.05	Notice of Defaults	67
Section 7.06	Reports by Trustee to Holders of the Notes	67
Section 7.07	Compensation and Indemnity	67
Section 7.08	Replacement of Trustee	68
Section 7.09	Successor Trustee by Merger, etc.	69
Section 7.10	Eligibility; Disqualification	69
Section 7.11	Preferential Collection of Claims Against Company	69

ARTICLE 8  
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01	Option to Effect Legal Defeasance or Covenant Defeasance	70
Section 8.02	Legal Defeasance and Discharge	70
Section 8.03	Covenant Defeasance	71
Section 8.04	Conditions to Legal or Covenant Defeasance	71
Section 8.05	Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions	72
Section 8.06	Repayment to Company	72

---

Section 8.07	Reinstatement	73
<b>ARTICLE 9</b>		
<b>AMENDMENT, SUPPLEMENT AND WAIVER</b>		
Section 9.01	Without Consent of Holders of Notes	73
Section 9.02	With Consent of Holders of Notes	74
Section 9.03	Compliance with Trust Indenture Act	75
Section 9.04	Revocation and Effect of Consents	76
Section 9.05	Notation on or Exchange of Notes	76
Section 9.06	Trustee to Sign Amendments, etc.	76

**ARTICLE 10**  
**COLLATERAL AND SECURITY**

Section 10.01	Security	76
Section 10.02	Equal and Ratable Sharing of Collateral by Holders of Parity Lien Debt	76
Section 10.03	Release of Liens in Respect of Note Guarantees	77
Section 10.04	Relative Rights	77
Section 10.05	Further Assurances, Compliance with Trust Indenture Act	78
Section 10.06	Collateral Agent	79
Section 10.07	Authorization of Actions to Be Taken	80
Section 10.08	Recording and Opinions	81
Section 10.09	Certificates of the Company	82
Section 10.10	Certificates of the Trustee	82
Section 10.11	Environmental Indemnity	82

**ARTICLE 11**  
**NOTE GUARANTEES**

Section 11.01	Guarantee	83
Section 11.02	Limitation on Guarantor Liability	84
Section 11.03	Execution and Delivery of Note Guarantee	84
Section 11.04	Guarantors May Consolidate, etc., on Certain Terms	85
Section 11.05	Releases	86

**ARTICLE 12**  
**SATISFACTION AND DISCHARGE**

Section 12.01	Satisfaction and Discharge	86
Section 12.02	Application of Trust Money	87

**ARTICLE 13**  
**MISCELLANEOUS**

Section 13.01	Trust Indenture Act Controls	87
Section 13.02	Notices	87
Section 13.03	Communication by Holders of Notes with Other Holders of Notes	88
Section 13.04	Certificate and Opinion as to Conditions Precedent	89
Section 13.05	Statements Required in Certificate or Opinion	89
Section 13.06	Rules by Trustee and Agents	89
Section 13.07	No Personal Liability of Directors, Officers, Employees and Stockholders	89
Section 13.08	Governing Law	90
Section 13.09	No Adverse Interpretation of Other Agreements	90
Section 13.10	Successors	90
Section 13.11	Severability	90

---

		<i>Page</i>
Section 13.12	Counterpart Originals	90
Section 13.13	Table of Contents, Headings, etc.	90
Section 13.14	Waiver of Jury Trial	90
Section 13.15	Security Advice Waiver	90
Section 13.16	USA Patriot Act	91

#### EXHIBITS

Exhibit A	FORM OF NOTE	A-1
Exhibit B	FORM OF CERTIFICATE OF TRANSFER	B-1
Exhibit C	FORM OF CERTIFICATE OF EXCHANGE	C-1
Exhibit D	FORM OF CERTIFICATE OF ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR	D-1
Exhibit E	FORM OF NOTATION OF GUARANTEE	E-1
Exhibit F	FORM OF SUPPLEMENTAL INDENTURE	F-1

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INDENTURE dated as of February 12, 2013 among Vector Group Ltd., a Delaware corporation, the Guarantors (as defined) and U.S. Bank National Association as Trustee (as defined) and as Collateral Agent (as defined).

The Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the 7.750% Senior Secured Notes due 2021 (the “Notes”):

ARTICLE 1  
DEFINITIONS AND INCORPORATION  
BY REFERENCE

Section 1.01     *Definitions.*

“100 Maple LLC” means 100 Maple LLC, a Delaware limited liability company.

“144A Global Note” means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depository or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

“ABL Documents” has the meaning set forth in the Intercreditor Agreement.

“ABL Lender” has the meaning set forth in the Intercreditor Agreement.

“Accelerated Note Conversion” means the conversion in advance of the scheduled conversion by their terms of any convertible debt securities issued by the Company that are held by Affiliates of the Company, in exchange for the payment by the Company to such Affiliates of accrued interest and additional Equity Interests in the Company (other than Disqualified Stock).

“Acquired Debt” means, with respect to any specified Person:

(1)       Indebtedness of any other Person existing at the time such other Person is merged with or into such specified Person or became a Guarantor, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into such specified Person or becoming a Guarantor; and

(2)       Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Additional Notes” means additional Notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Agent” means any Registrar, co-registrar, Paying Agent or additional paying agent.

“Applicable Premium” means, with respect to any Note on any redemption date, as determined by the Company, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of: (a) the present value at the redemption date of (i) the redemption price of the Note at February 15, 2016, (such redemption price being set forth in the table appearing in Section 3.07 hereof) plus (ii) all required interest payments due on the Note through February 15, 2016, (excluding accrued but unpaid interest to the applicable redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the principal amount of the Note, if greater.

Calculation of the Applicable Premium will be made by the Company or on behalf of the Company by such Person as the Company shall designate, *provided*, *however*, that such calculation shall not be a duty or obligation of the Trustee or Collateral Agent.

“Applicable Procedures” means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depository, Euroclear and Clearstream that apply to such transfer or exchange.

“Asset Sale” means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and the Guarantors taken as a whole will be governed by the provisions of Section 4.14 and not by the provisions of Section 5.01 and not by the provisions of Section 4.10; and

(2) the issuance or sale of Equity Interests in any of the Guarantors.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than \$3.0 million;

(2) a transfer of assets between or among the Company and the Guarantors;

(3) an issuance of Equity Interests by a Guarantor to the Company or to another Guarantor;

(4) the sale, lease, sublease, license, sublicense, conveyance or other disposition of products, services, inventory, or accounts receivable and related assets (including participations therein) in the ordinary course of business, including leases with respect to facilities that are temporarily not in use or pending their disposition, and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business or any other property that is uneconomic or no longer useful to the conduct of the business of the Company or the Guarantors;

(5) the sale or other disposition of cash or Cash Equivalents or Investments that are Permitted Investments;

- (6) a Restricted Payment that does not violate the provisions of Section 4.07 or a Permitted Investment.
- (7) the licensing of intellectual property to third Persons on customary terms as determined in good faith by the Board of Directors of the Company;
- (8) to the extent allowable under Section 1031 of the Internal Revenue Code of 1986, any exchange of like property (excluding any boot thereon) for use in the business of the Company or its Subsidiaries;
- (9) transfers of property subject to casualty or condemnation proceedings; and
- (10) the granting of Permitted Liens.

“*Attributable Debt*” in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation.”

“*Bankruptcy Law*” means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

“*beneficial owner*” has the meaning set forth in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Broker-Dealer*” has the meaning set forth in the Registration Rights Agreement.

“*Business Day*” means any day other than a Legal Holiday.



“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

- (1) United States dollars and, solely for purposes of the definition of “Permitted Investments,” any national currency of any other country in which the Company or its Guarantors do business;
- (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;
- (3) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers’ acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank or commercial banking institution that is a member of the Federal Reserve System having capital and surplus in excess of \$500.0 million and a Thomson Bank Watch Rating of “B” or better;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above or (7) below entered into with any financial institution meeting the qualifications specified in clause (3) above or (7) below;
- (5) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P and, in each case, maturing within one year after the date of acquisition;
- (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and
- (7) marketable general obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year of the date of acquisition and at the time of acquisition having one of the two highest ratings obtainable from S&P or Moody’s.

“*Change of Control*” means the occurrence of any of the following:

(1) any sale, transfer, lease, conveyance or other disposition (in one transaction or a series of related transactions) of all or substantially all of the Company’s property or assets to any person or group of related persons (other than to any of the Company’s wholly owned subsidiaries) as defined in Sections 13(d) and 14(d) of the Exchange Act, including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act, other than any sale, transfer, lease, conveyance or other disposition in which (x) persons who, directly or indirectly, are beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of the Company’s Voting Stock immediately prior to such transaction, beneficially own, directly or indirectly, immediately after such transaction at least a majority of the total voting power of the outstanding Voting Stock of the corporation or entity purchasing such properties or assets in such sale, lease, conveyance or other disposition and (y) persons who, directly or indirectly, are beneficial owners of the Company’s Voting Stock immediately prior to such transaction, beneficially own, directly or indirectly, immediately after such transaction shares of common stock of the corporation or entity purchasing such properties or assets in such sale, lease, conveyance or other disposition in a proportion that does not, on the whole, materially differ from such ownership immediately prior to the transaction;

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) if any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than the Company, its subsidiaries, and the Company’s or its subsidiaries’ employee benefit plans becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the aggregate ordinary voting power represented by the Company’s issued and outstanding stock; or

(4) the Company consolidates with, or merges with or into, another person or any person consolidates with, or merges with or into, the Company, other than any consolidation or merger in which (x) persons who, directly or indirectly, are beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of the Company’s Voting Stock immediately prior to such transaction, beneficially own, directly or indirectly, immediately after such transaction at least a majority of the voting power of the outstanding Voting Stock of the continuing or surviving corporation or entity and (y) persons who, directly or indirectly, are beneficial owners of the Company’s Voting Stock immediately prior to such transaction beneficially own, directly or indirectly, immediately after such transaction shares of common stock of the continuing or surviving corporation or entity in a proportion that does not, on the whole, materially differ from such ownership immediately prior to the transaction.

“*Clearstream*” means Clearstream Banking, S.A.

“*Collateral*” means the Pledged Securities and the properties and assets at any time owned or acquired by any of the Pledgors as provided in the Collateral Documents and this Indenture other than the Excluded Assets and except:

(1) any properties and assets in which the Collateral Agent is required to release its Liens pursuant to the provisions of the Intercreditor Agreement; and

(2) any properties and assets that no longer secure the Note Guarantees or any Obligations in respect thereof pursuant to the provisions of Section 10.03 hereof,

provided that, if such Liens are required to be released as a result of the sale, transfer or other disposition of any properties or assets of any of the Guarantors, such assets or properties will cease to be excluded from the Collateral if any of the Guarantors thereafter acquires or reacquires such assets or properties.

“*Collateral Agent*” means U.S. Bank National Association, in its capacity as collateral agent under this Indenture, the Intercreditor Agreement and the Collateral Documents, together with its successors in such capacity.

“*Collateral Documents*” means all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements or other grants or transfers for security executed and delivered by any Guarantor creating (or purporting to create) a Parity Lien upon Collateral in favor of the Collateral Agent, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time.

“*Company*” means Vector Group Ltd. and any and all successors thereto.

“*Consolidated EBITDA*” means for any period the Consolidated Net Income of the Company for such period, after giving pro forma effect to any Investment or acquisition or disposition of a business permitted under the Indenture as if such acquisition or disposition occurred on the first day of the relevant period, in accordance with Regulation S-X, *plus*, without duplication:

(1) provision for taxes based on income or profits or capital, including, without limitation, state, city and county income, franchise and similar taxes, foreign withholding taxes and foreign unreimbursed value added taxes of the Company and the Guarantors for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) the Fixed Charges of the Company and the Guarantors (including amortization of deferred financing fees and changes in fair value of derivatives embedded within convertible debt) for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(3) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Company and the Guarantors for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(4) any other non-cash charges (including impairment charges, write-offs of assets and the impact of purchase accounting but excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period), to the extent that such non-cash charges were deducted in computing such Consolidated Net Income; *plus*

(5) any one-time, non-recurring expenses or charges related to any Equity Offering, Permitted Investment, acquisition, recapitalization or incurrence of Indebtedness permitted to be incurred under this Indenture (including a refinancing thereof), whether or not consummated, in each case to the extent such expenses or charges were deducted in computing Consolidated Net Income; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than (a) the accrual of revenue in the ordinary course of business and (b) reversals of prior accruals or reserves for non-cash items previously excluded from the definition of Consolidated EBITDA pursuant to clause (3) above,

in each case, on a consolidated basis and determined in accordance with GAAP.

“*Consolidated Net Income*” means for any period the aggregate of the Net Income of the Company and the Guarantors for such period, on a consolidated basis, determined in accordance with GAAP; *provided that*:

(1) the Net Income (but not loss) of any Person that is not a Guarantor or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the Company or a Guarantor;

(2) the Net Income of any Guarantor will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Guarantor of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement or instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Guarantor or its stockholders (except to the extent of the amount of dividends or similar distributions paid in cash to the Company or a Guarantor during such period);

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any restructuring charge or reserve to the extent that such expenses or charges were deducted in computing such Consolidated Net Income, including any restructuring costs incurred in connection with acquisitions after the date of issuance of the Notes and costs related to the closure and/or consolidation of facilities or work force reduction and severance and relocation costs incurred in connection therewith, will be excluded;

(5) any unrealized gains and losses due solely to fluctuations in currency values, the value of Investment Securities or the value of Long-Term Investments, and the related tax effects according to GAAP will be excluded;

(6) non-cash compensation recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights will be excluded;

(7) after-tax gains and losses attributable to discontinued operations will be excluded;

(8) the after-tax effect of extraordinary, non-recurring or unusual gains or losses (less all fees and expenses relating thereto) or expenses, severance costs and curtailments or modifications or terminations to pension and post-retirement benefit plans will be excluded;

(9) any impairment charge or asset write-off, in each case pursuant to GAAP and the amortization of intangibles arising pursuant to GAAP will be excluded; and

(10) any deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness will be excluded.

“*Core Investments*” means investments, whether as a long or short position, in equity, debt or derivative securities, including, without limitation, puts, options, warrants or calls, of any Person, including hedge funds, private equity funds or other investment entities, in the ordinary course of the Company’s or any Guarantor’s business, but excluding any investment in (i) any Unrestricted Subsidiary of the Company, or (ii) any joint venture to which the Company, any Guarantor or any Unrestricted Subsidiary is a party.

“*Corporate Trust Office of the Trustee*” will be at the address of the Trustee specified in Section 13.02 hereof or such other address as to which the Trustee may give notice to the Company.

“*Credit Facilities*” means, one or more debt facilities (including, without limitation, the Liggett Credit Agreement) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

“*Custodian*” means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Definitive Note*” means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the “Schedule of Exchanges of Interests in the Global Note” attached thereto.

“*Depository*” means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depository with respect to the Notes, and any and all successors thereto appointed as depository hereunder and having become such pursuant to the applicable provision of this Indenture.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Company and the Guarantors may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Domestic Subsidiary*” means any Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia or that guarantees or otherwise provides direct credit support for any Indebtedness of the Company.

“*Environmental Claim*” means any investigation, notice, notice of violation, claim, action, suit, proceeding, demand, abatement order or other order or directive (conditional or otherwise), by any Governmental Authority or any other Person, arising (i) pursuant to or in connection with any actual or alleged violation of any Environmental Law; (ii) in connection with any Hazardous Material or any actual or alleged Hazardous Materials Activity; or (iii) in connection with any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

“*Environmental Laws*” means any and all current or future foreign or domestic, federal or state (or any subdivision of either of them), statutes, ordinances, orders, rules, regulations, judgments, Governmental Authorizations, or any other requirements of Governmental Authorities relating to (i) environmental matters, including those relating to any Hazardous Materials Activity; (ii) the generation, use, storage, transportation or disposal of Hazardous Materials; or (iii) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health or welfare, in any manner applicable to the Company or any of the Guarantors or any Facility.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any public or private sale of common stock or preferred stock of the Company (excluding Disqualified Stock) or contribution to the capital of the Company, other than:

- (1) public offerings with respect to any such Person’s common stock registered on Form S-8; and
- (2) issuances to the Company or any Subsidiary of the Company.

“*Euroclear*” means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

“*Eve*” means Eve Holdings Inc., a Delaware corporation.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Exchange Notes*” means the Notes issued in the Exchange Offer pursuant to Section 2.06(f) hereof.

“*Exchange Offer*” has the meaning set forth in the Registration Rights Agreement.

“*Exchange Offer Registration Statement*” has the meaning set forth in the Registration Rights Agreement.

“*Excluded Assets*” means real property, other than the Mebane Facility and any real property that has a Fair Market Value in excess of \$5.0 million; equipment subject to purchase money or other financing; investment property or securities, including securities of affiliates, other than the Pledged Securities; cash and deposit accounts; foreign intellectual property and all intent-to-use trademark applications; aircraft, aircraft engines and motor vehicles; and leasehold interests in real property, each as defined under the UCC.

“*Existing Indebtedness*” means Indebtedness of the Company and the Guarantors (other than Indebtedness under the Liggett Credit Agreement) in existence on the date of this Indenture, until such amounts are repaid.

“*Facility*” means any real property (including all buildings, fixtures or other improvements located thereon) now, hereafter or heretofore owned, leased, operated or used by the Company or any of the Guarantors or any of their respective predecessors or Affiliates.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in this Indenture).

“*First Priority Debt*” has the meaning set forth in the Intercreditor Agreement as in effect on the date of this Indenture.

“*First Priority Lien*” means a Lien to the extent it secures First Priority Debt.

“*Fixed Charges*” means, with respect to the Company and the Guarantors for any period, the sum, without duplication, of:

(1) the consolidated interest expense of the Company and the Guarantors for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs, beneficial conversion features, derivatives embedded within convertible debt and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of the Company and the Guarantors that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by the Company or any of the Guarantors or secured by a Lien on assets of the Company or any of the Guarantors, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of the Company or any of the Guarantors, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Guarantor, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

“*GAAP*” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of this Indenture.

“*Global Note Legend*” means the legend set forth in Section 2.06(g)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

“*Global Notes*” means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto and that bears the Global Note Legend and that has the “Schedule of Exchanges of Interests in the Global Note” attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(f) hereof.

“*Government Securities*” means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

“*Guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Guarantors*” means each of:

- (1) the Liggett Guarantors;
- (2) the Domestic Subsidiaries of the Company on the date of this Indenture, other than the New Valley Subsidiaries; and
- (3) any other Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of this Indenture,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

“*Hazardous Materials*” means any chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority or which reasonably could be expected to pose a hazard to the health and safety of the owners, occupants or any Persons in the vicinity of any Facility or to the indoor or outdoor environment.

“*Hazardous Materials Activity*” means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, release, threatened release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;



- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“Holder” means a Person in whose name a Note is registered.

“IAI Global Note” means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

“Indebtedness” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed, except any such balance that constitutes an accrued expense or trade payable arising in the ordinary course of business and not overdue by more than 90 days; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

“Indemnified Liabilities” means, collectively, any and all liabilities, obligations, losses, damages (including natural resource damages), penalties, claims (including Environmental Claims), costs (including the costs of any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any Hazardous Materials Activity), expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, and any fees or expenses incurred by Indemnitees in enforcing this indemnity), whether direct, indirect or consequential and whether based on Environmental Laws, on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of any Environmental Claim or any Hazardous Materials Activity relating to or arising from, directly or indirectly, any past or present activity, operation, land ownership, or practice of the Company or any of the Guarantors.

“*Indenture*” means this Indenture, as amended or supplemented from time to time.

“*Indirect Participant*” means a Person who holds a beneficial interest in a Global Note through a Participant.

“*Initial Notes*” means the first \$450.0 million aggregate principal amount of Notes issued under this Indenture on the date hereof.

“*Initial Purchaser*” means Jeffries & Company, Inc.

“*Institutional Accredited Investor*” means an institution that is an “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is not also a QIB.

“*Intercreditor Agreement*” means the Intercreditor and Lien Subordination Agreement dated February 12, 2013, by and among Wells Fargo Bank, National Association, as ABL Lender, U.S. Bank National Association, as Collateral Agent, Liggett Group LLC, as borrower and 100 Maple LLC, as Loan Party.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Investment Securities*” means investment securities classified as such under GAAP.

“*Legal Holiday*” means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

“*Letter of Transmittal*” means the letter of transmittal to be prepared by the Company and sent to all Holders of the Notes for use by such Holders in connection with the Exchange Offer.

“*Leverage Ratio*” means the ratio of (i) the sum of (A) the aggregate outstanding amount of Indebtedness of the Company and the Guarantors as of the last day of the most recently ended fiscal quarter for which financial statements are internally available as of the date of calculation on a combined consolidated basis in accordance with GAAP, less cash, cash equivalents, the Fair Market Value of Investment Securities and the Fair Market Value of Long-Term Investments of the Company and the Guarantors, plus (B) the aggregate outstanding amount of Indebtedness incurred in connection with margining of Core Investments (to the extent not included in Indebtedness under clause (i)(A) above), plus (C) the aggregate liquidation preference of all outstanding Disqualified Stock of the Company as of the last day of such fiscal quarter to (ii) the aggregate Consolidated EBITDA of the Company for the last four full fiscal quarters for which financial statements are internally available ending on or prior to the date of determination. Notwithstanding the foregoing, to the extent that Douglas Elliman Realty LLC, or any successor thereto, is classified on the Company’s or any Guarantor’s balance sheet as a Long Term Investment, then the book value, rather than the Fair Market Value, of such Long Term Investment will be used for purposes of the foregoing calculation.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

“*Liggett Credit Agreement*” means that certain Second Amended and Restated Loan and Security Agreement, dated as of February 21, 2012, by and between Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, Liggett Group LLC, as Borrower, and 100 Maple LLC providing for revolving credit borrowings and term loans, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

“*Liggett Group LLC*” means Liggett Group LLC, a Delaware limited liability company.

“*Liggett Guarantors*” means each of Liggett Group LLC and 100 Maple LLC.

“*Liquidated Damages*” means all liquidated damages then owing pursuant to the Registration Rights Agreement.

“*Long-Term Investments*” means long-term investments classified as such under GAAP.

“*Mebane Facility*” means that certain real property located in Mebane, North Carolina and owned by 100 Maple LLC.

“*Moody’s*” means Moody’s Investor Service, Inc.

“*Net Income*” means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain or loss, together with all fees and expenses related thereto and any related provision for taxes on such gain or loss, realized in connection with:

(a) any Asset Sale; or

(b) the disposition of any securities or Investments by such Person or any of the Guarantors or the extinguishment of any Indebtedness of such Person or any of the Guarantors; and

(2) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

“*Net Proceeds*” means means the aggregate cash proceeds received by the Company or any of the Guarantors in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than Indebtedness under a Credit Facility, secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

“*New Valley Subsidiaries*” means New Valley LLC, a Delaware limited liability company, and its Subsidiaries.

“*Non-U.S. Person*” means a Person who is not a U.S. Person.

“*Note Guarantee*” means the Guarantee by each Guarantor of the Company’s obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

“*Noteholder Documents*” means this Indenture, the Notes, the Note Guarantees, and the Collateral Documents, in each case as amended, supplemented or otherwise modified from time to time as provided thereby.

“*Notes*” has the meaning set forth in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

“*Obligations*” means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest (including, to the extent legally permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the rate, including any applicable post-default rate, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), premium (if any), fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

“*Officer*” means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice President of such Person.

“*Officers’ Certificate*” means a certificate signed by the Chairman of the Board, the President or any Vice President, and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, that meets the requirements of Section 13.05 hereof. One of the officers signing an Officers’ Certificate given pursuant to Section 4.04 shall be the principal executive, financial or accounting officer of the Company.

“*Opinion of Counsel*” means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 13.05 hereof. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

“*Parity Lien*” means a Lien granted under a Collateral Document to the Collateral Agent, at any time, upon any property of any Guarantor providing security to secure Parity Lien Obligations.

“*Parity Lien Debt*” means:

- (1) the Initial Notes (including any related Exchange Notes); and
- (2) any other Indebtedness of the Company pursuant to Additional Notes.

“*Parity Lien Obligations*” means Parity Lien Debt and all other Obligations in respect thereof.

“*Participant*” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

“*Permitted Investments*” means:

- (1) any Investment in the Company or in a Guarantor;
- (2) any Investment in Cash Equivalents;
- (3) any Investment by the Company or any Guarantor in a Person, if as a result of such Investment:
  - (a) such Person becomes a Guarantor; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Guarantor;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof.
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;
- (6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any Guarantor, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) loans or advances to employees made in the ordinary course of business of the Company or any Guarantor in an aggregate principal amount not to exceed \$1.0 million at any one time outstanding;
- (8) repurchases of the Notes;
- (9) any Investment by the Company or any Guarantor in Core Investments;
- (10) Investments represented by Hedging Obligations;

(11) Investments consisting of purchases and acquisitions of inventory, supplies, material or equipment in the ordinary course of business or consistent with past practice;

(12) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed \$10.0 million.

“Permitted Liens” means:

(1) Liens in favor of the ABL Lender securing First Priority Debt;

(2) Liens held by the Collateral Agent equally and ratably securing the Initial Notes and all future Parity Lien Debt and other Parity Lien Obligations;

(3) Liens in favor of the Company or the Guarantors;

(4) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Guarantor; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Guarantor;

(5) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Guarantor; *provided* that such Liens were in existence prior to, and not incurred in contemplation of, such acquisition;

(6) Liens to secure the performance of statutory obligations (including obligations under worker’s compensation, unemployment insurance or similar legislation), surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business, as well as obligations under the trade contracts and leases (exclusive of obligations for the payment of borrowed money) and cash deposits in connection with acquisitions otherwise permitted under this Indenture;

(7) Liens existing on the date of this Indenture;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers’, warehousemen’s, landlords’ and mechanics’ Liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided, however*, that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(b)(10) hereof covering only the assets acquired with or financed by such Indebtedness;

(14) Liens arising by reason of any judgment, decree or order not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within such proceedings may be initiated shall not have expired; and

(15) Liens to secure obligations permitted by Section 4.09(b)(14) hereof.

*“Permitted Prior Liens”* means:

(1) Liens described in clauses (1), (4), (5), (7) or (13) of the definition of “Permitted Liens;” and

(2) Permitted Liens that arise by operation of law and are not voluntarily granted, to the extent entitled by law to priority over the Liens created by the Collateral Documents.

*“Permitted Refinancing Indebtedness”* means any Indebtedness of the Company or any Guarantor issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Company or any Guarantor (other than intercompany Indebtedness); *provided that*:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by the Company or by the Guarantor who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*Pledged Securities*” means all of the Capital Stock of each of Liggett Group LLC and Vector Tobacco.

“*Pledgor*” means each of the Liggett Guarantors and Vector Tobacco and any successor thereto who is required to assume their obligations under the indenture or the Collateral Documents.

“*Private Placement Legend*” means the legend set forth in Section 2.06(g)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Registration Rights Agreement*” means the Registration Rights Agreement, dated as of February 12, 2013, among the Company, the Guarantors party thereto and the Initial Purchaser, as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements among the Company, the Guarantors and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

“*Regulation S*” means Regulation S promulgated under the Securities Act.

“*Regulation S Global Note*” means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 903 of Regulation S.

“*Responsible Officer*,” when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“*Restricted Definitive Note*” means a Definitive Note bearing the Private Placement Legend.

“*Restricted Global Note*” means a Global Note bearing the Private Placement Legend.

“*Restricted Investment*” means an Investment other than a Permitted Investment.



“*Restricted Period*” means the 40-day distribution compliance period as defined in Regulation S.

“*Rule 144*” means Rule 144 promulgated under the Securities Act.

“*Rule 144A*” means Rule 144A promulgated under the Securities Act.

“*Rule 903*” means Rule 903 promulgated under the Securities Act.

“*Rule 904*” means Rule 904 promulgated under the Securities Act.

“*S&P*” means Standard & Poor’s Ratings Group.

“*Sale of Collateral*” means any Asset Sale involving a sale or other disposition of Collateral.

“*SEC*” means the Securities and Exchange Commission.

“*Secured Indebtedness*” means all Indebtedness of the Company and the Guarantors that is secured by Liens on any of their assets, including, but not limited to, Indebtedness pursuant to the Liggett Credit Agreement and the Notes.

“*Secured Leverage Ratio*” means the ratio calculated in accordance with the definition herein of “*Leverage Ratio*” except that “*Secured Indebtedness*” shall be substituted for all occurrences of “*Indebtedness*” in such definition.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Shelf Registration Statement*” means the Shelf Registration Statement as defined in the Registration Rights Agreement.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of this Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subsidiary*” means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“TIA” means the Trust Indenture Act of 1939, as amended (15 U.S.C. §§ 77aaa-77bbb).

“Treasury Rate” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to February 15, 2016, or in the case of a satisfaction and discharge or a defeasance, at least two Business Days prior to the date on which the Company deposits the amounts required under this Indenture; *provided, however*, that if the period from the redemption date to February 15, 2016 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Trustee” means U.S. Bank National Association until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

“Unrestricted Definitive Note” means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

“Unrestricted Global Note” means a Global Note that does not bear and is not required to bear the Private Placement Legend.

“Unrestricted Subsidiary” means any Subsidiary of the Company other than any Subsidiary that is a Guarantor and any other Subsidiary owning or operating the business currently operated by Liggett Group LLC.

“U.S. Person” means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

“Vector Tobacco” means Vector Tobacco Inc., a Virginia corporation.

“VGR Holding” means VGR Holding LLC, a Delaware limited liability company.

“Voting Stock” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

Section 1.02 *Other Definitions.*

Term	Defined in Section
“Affiliate Transaction”	4.11
“Asset Sale Offer”	3.09
“Authentication Order”	2.02
“Change of Control Offer”	4.14
“Change of Control Payment”	4.14
“Change of Control Payment Date”	4.14
“Covenant Defeasance”	8.03
“DTC”	2.03
“Event of Default”	6.01
“Excess Proceeds”	4.10
“incur”	4.09
“Interest Payment Date”	Exhibit A
“Legal Defeasance”	8.02
“Offer Amount”	3.09
“Offer Period”	3.09
“Paying Agent”	2.03
“Permitted Debt”	4.09
“Payment Default”	6.01
“Purchase Date”	3.09
“Registrar”	2.03
“Restricted Payments”	4.07

Section 1.03 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

“*indenture securities*” means the Notes;

“*indenture security Holder*” means a Holder of a Note;

“*indenture to be qualified*” means this Indenture;

“*indenture trustee*” or “*institutional trustee*” means the Trustee; and

“*obligor*” on the Notes and the Note Guarantees means the Company and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 *Rules of Construction.*

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;

- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (3) “or” is not exclusive;
- (4) words in the singular include the plural, and in the plural include the singular;
- (5) “will” shall be interpreted to express a command;
- (6) provisions apply to successive events and transactions; and
- (7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

ARTICLE 2  
THE NOTES

Section 2.01 *Form and Dating.*

(a) *General.* The Notes and the Trustee’s certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes.* Notes issued in global form will be substantially in the form of Exhibit A hereto (including the Global Note Legend thereon and the “Schedule of Exchanges of Interests in the Global Note” attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A hereto (but without the Global Note Legend thereon and without the “Schedule of Exchanges of Interests in the Global Note” attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

Section 2.02 *Execution and Authentication.*

At least one Officer must sign the Notes for the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Company stating the CUSIP number, principal amount, name of Holder and date of authentication for each Note, signed by two Officers (an “*Authentication Order*”), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Company pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

Section 2.03     *Registrar and Paying Agent.*

The Company will maintain an office or agency where Notes may be presented for registration of transfer or for exchange (“*Registrar*”) and an office or agency where Notes may be presented for payment (“*Paying Agent*”). The Registrar will keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term “*Registrar*” includes any co-registrar and the term “*Paying Agent*” includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company (“*DTC*”) to act as Depository with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04     *Paying Agent to Hold Money in Trust.*

The Company will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) will have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists.*

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Company will furnish to the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA § 312(a).

Section 2.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes.* A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Company for Definitive Notes if:

(1) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary;

(2) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1) or (2) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes.* The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note.* Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however,* that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above;

Upon consummation of an Exchange Offer by the Company in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(2) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.



Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depository and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Exchange Offer.* Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate:

(1) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Company; and

(2) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Company.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Company will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) *Private Placement Legend.*

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF REPRESENTS THAT IT IS (1) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) NOT A U.S. PERSON AND IS ACQUIRING ITS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF VECTOR GROUP LTD. THAT (A) PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS SECURITY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY TO (I) VECTOR GROUP LTD. OR ANY SUBSIDIARY THEREOF, (II) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (V) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (VI) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (VII) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS SECURITY PURSUANT TO CLAUSE (A) (VII) ABOVE OR UPON ANY TRANSFER OF THIS SECURITY UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER THE TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTION.

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(2), (c)(3), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend.* Each Global Note will bear a legend in substantially the following form:

“THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF VECTOR GROUP LTD.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(h) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Company will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar’s request.



(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.09, 4.10, 4.14 and 9.05 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Company will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

Section 2.07 *Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss, liability or expense that any of them may suffer if a Note is replaced and subsequently presented or claimed for payment. The Company may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note; however, Notes held by the Company or a Subsidiary of the Company shall not be deemed to be outstanding for purposes of Section 3.07(a) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 *Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 *Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Company considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Company will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation.*

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will destroy canceled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all canceled Notes will be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest.*

If the Company defaults in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company will fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3  
REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee.*

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

- (1) the clause of this Indenture pursuant to which the redemption shall occur;
- (2) the redemption date;
- (3) the principal amount of Notes to be redeemed; and
- (4) the redemption price.

Section 3.02 *Selection of Notes to Be Redeemed or Purchased.*

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase on a *pro rata* or by lot basis unless otherwise required by law, DTC's procedures or applicable stock exchange requirements.

In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

The Trustee will promptly notify the Company in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of \$2,000 or whole multiples of \$1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of \$1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption.*

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Company will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 12 hereof.

The notice will identify the Notes to be redeemed and will state:

- (1) the redemption date;
- (2) the redemption price;
- (3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;
- (4) the name and address of the Paying Agent;
- (5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (6) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;
- (7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and
- (8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee will give the notice of redemption in the Company's name and at its expense; *provided, however*, that the Company has delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and a complete form of Notice setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 *Effect of Notice of Redemption.*

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05 *Deposit of Redemption or Purchase Price.*

One Business Day prior to the redemption or purchase date, the Company will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest and Liquidated Damages, if any, on, all Notes to be redeemed or purchased.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part.*

Upon surrender of a Note that is redeemed or purchased in part, the Company will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption.*

(a) At any time prior to February 15, 2016, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under this Indenture at a redemption price of 107.750% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of a sale of common Equity Interests (other than Disqualified Stock) of the Company; *provided that*:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such sale of Equity Interests.

(b) At any time prior to February 15, 2016, the Company may also redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the applicable date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

(c) Except pursuant to Sections 3.07(a) and (b) hereof, the Notes will not be redeemable at the Company's option prior to February 15, 2016.

(d) On or after February 15, 2016, the Company may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the Notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on February 15 of the years indicated below, subject to the rights of Holders on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2016	105.813%
2017	103.875%
2018	101.938%
2019 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(e) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08 *Mandatory Redemption.*

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes. The Company may at any time and from time to time purchase notes in the open market or otherwise provided any such purchase does not otherwise violate the provisions of this Indenture.

Section 3.09 *Offer to Purchase by Application of Excess Proceeds.*

In the event that, pursuant to Section 4.10 hereof, the Company is required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than three Business Days after the termination of the Offer Period (the "Purchase Date"), the Company will apply all Excess Proceeds (the "Offer Amount") to the purchase of Notes and such other *pari passu* Indebtedness (on a *pro rata* basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest and Liquidated Damages, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company will send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

- (1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;
- (2) the Offer Amount, the purchase price and the Purchase Date;
- (3) that any Note not tendered or accepted for payment will continue to accrue interest;
- (4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;
- (5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof;
- (6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;
- (7) that Holders will be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;
- (8) that, if the aggregate principal amount of Notes and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Company will select the Notes and other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of \$2,000, or integral multiples of \$1,000 in excess thereof, will be purchased); and
- (9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company will promptly issue a new Note, and the Trustee, upon written request from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

#### ARTICLE 4 COVENANTS

##### Section 4.01 *Payment of Notes.*

The Company will pay or cause to be paid the principal of, premium, if any, and interest and Liquidated Damages, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest and Liquidated Damages, if any will be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Company will pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

##### Section 4.02 *Maintenance of Office or Agency.*

The Company will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission will in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.



Section 4.03 *Reports.*

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, the Company will furnish to the Holders of Notes or cause the Trustee to furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations (or within five Business Days thereof if the Company is subject to the periodic reporting requirements of the Exchange Act):

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Company were required to file reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on the Company's consolidated financial statements by the Company's certified independent accountants. In addition, the Company will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. The Company will at all times comply with TIA § 314(a).

If, at any time, the Company is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, the Company will nevertheless continue filing the reports specified in the preceding paragraph with the SEC within the time periods in the SEC's rules and regulations unless the SEC will not accept such a filing. The Company will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept the Company's filings for any reason, the Company will post the reports referred to in the preceding paragraph on its website within the time periods that would apply if the Company were required to file those reports with the SEC.

(b) To the extent required by the SEC, the quarterly and annual financial information required by paragraph (a) of this Section 4.03 will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and the Guarantors separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

(c) For so long as any Notes remain outstanding, if at any time the Company and the Guarantors are not required to file with the SEC the reports required by paragraphs (a) and (b) of this Section 4.03, the Company and the Guarantors will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates). The Trustee is under no duty to examine such reports, information or documents to ensure compliance with the provisions of this Indenture or to ascertain the correctness or otherwise of the information or the statements contained therein. The Trustee is entitled to assume such compliance and correctness unless a Responsible Officer of the Trustee is informed otherwise.

Section 4.04 *Compliance Certificate.*

(a) The Company and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture and the Collateral Documents, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture Collateral Documents and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture or Collateral Documents (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as any of the Notes are outstanding, the Company will deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

(c) Except with respect to receipt of Note payments when due and any Default or Event of Default information contained in the Officers' Certificate delivered to it pursuant to Section 4.04, the Trustee shall have no duty to review, ascertain or confirm the Company's compliance with, or the breach of, any representation, warranty or covenant made in this Indenture.

Section 4.05 *Taxes.*

The Company will pay, and will cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06 *Stay, Extension and Usury Laws.*

The Company and each of the Guarantors covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company and each of the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments.*

(a) Neither the Company nor any Guarantor will, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or such Guarantor's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any Guarantor) or to the direct or indirect holders of the Company's or any such Guarantor's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or any other payments or distributions payable to the Company or a Guarantor);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of the Guarantors), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless at the time of such Restricted Payment, the Company's Consolidated EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available is no less than \$75.0 million, provided that the Company shall not be permitted to make any distribution or dividend of any Equity Interests in, or non-cash assets of, any Guarantor.

(b) The provisions of Section 4.07(a) will not prohibit:

(1) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or other distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or other distribution or redemption payment would have complied with the provisions of this Indenture;

(2) so long as no Default has occurred and is continuing or would be caused thereby, the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company;

(3) so long as no Default has occurred and is continuing or would be caused thereby, the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Guarantor to the holders of its Equity Interests on a *pro rata* basis;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options, warrants or other convertible or exchangeable securities to the extent such Equity Interests represent a portion of the exercise price of those stock options, warrants or other convertible or exchangeable securities;

(6) so long as no Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Guarantor issued on or after the date of this Indenture in accordance with the Leverage Ratio and Secured Leverage Ratio tests described in Section 4.09 hereof; and

(7) the distribution of the Equity Interests of Eve to the Company in order to contribute such Equity Interests to Vector Tobacco, provided that Eve shall remain a Guarantor.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Guarantor, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Section 4.07 will be determined by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the Trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the Fair Market Value exceeds \$10.0 million.

Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries.*

(a) Neither the Company nor any Guarantor will, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Guarantor to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any Guarantor, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Guarantor;

(2) make loans or advances to the Company or any of the Guarantors; or

(3) sell, lease or transfer any of its properties or assets to the Company or any Guarantor.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and Credit Facilities as in effect on the date of this Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of this Indenture;

- (2) this Indenture, the Notes, the Note Guarantees and the Collateral Documents;
- (3) applicable law, rule, regulation or order;
- (4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of the Guarantors as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;
- (5) customary non-assignment provisions in contracts, leases and licenses entered into in the ordinary course of business or that restrict the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract;
- (6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of Section 4.08(a) hereof;
- (7) any agreement for the sale or other disposition of a Guarantor that restricts distributions by that Guarantor pending the sale or other disposition;
- (8) Permitted Refinancing Indebtedness; *provided* that the encumbrances and restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Board of Directors of the Company;
- (9) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;
- (10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of the Company's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;
- (11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;
- (12) provisions limiting the disposition or distribution of assets in joint venture agreements entered into (i) in the ordinary course of business or (ii) with the approval of the Company's or the Guarantor's Board of Directors or chief financial officer, which limitation or prohibition is applicable only to the assets that are the subject of such agreements;
- (13) net worth provisions in leases and other agreements entered into by the Company or any Guarantor in the ordinary course of business; or

(14) agreements governing Indebtedness permitted to be incurred pursuant to Section 4.09 hereof; *provided*, that the Board of Directors of the Company determines in good faith (such determination to be evidenced by a resolution of the Board of Directors) that such encumbrances and restrictions are not materially more restrictive, taken as a whole, than those in agreements in the Liggett Credit Agreement (as in effect on the date of the indenture) and would not reasonably be expected to impair the ability of the Company to make payments of interest and scheduled payments of principal on the Notes, in each case as and when due, or to impair any Guarantor's ability to honor its Note Guarantee.

Section 4.09 *Incurrence of Indebtedness and Issuance of Preferred Stock.*

(a) Neither the Company nor any Guarantor will, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and none of the Guarantors will issue any shares of preferred stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Leverage Ratio and the Secured Leverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been no greater than 3.0 to 1.0 in respect of the Leverage Ratio and 1.5 to 1.0 in respect of the Secured Leverage Ratio, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Company and any of the Guarantors of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and the Guarantors thereunder) not to exceed \$60.0 million *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any of the Guarantors since the date of this Indenture to repay any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder pursuant to the provisions of the covenant described in Section 4.10 hereof;

(2) the incurrence by the Company and the Guarantors of the Existing Indebtedness;

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of this Indenture and the Exchange Notes and the related Note Guarantees to be issued pursuant to the Registration Rights Agreement;

(4) the incurrence by the Company or any of the Guarantors of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) hereof or clauses (2), (3) and (4) of this Section 4.09(b);

(5) the incurrence by the Company or any of the Guarantors of intercompany Indebtedness between or among the Company and any of the Guarantors; *provided, however*, that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Guarantor and

(B) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Guarantor,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Guarantor, as the case may be, that was not permitted by this clause (5);

(6) the issuance by any of the Guarantors to the Company or to any of the Guarantors of shares of preferred stock; *provided, however*, that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Guarantor; and

(B) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Guarantor,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Guarantor that was not permitted by this clause (6);

(7) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Guarantor that was permitted to be incurred by another provision of this Section 4.09; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(8) the incurrence by the Company or any of the Guarantors of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds, appeal or other similar bonds in the ordinary course of business, and in any such case any reimbursement obligations in connection therewith;

(9) the incurrence by the Company or any of the Guarantors of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(10) the incurrence by the Company or any of the Guarantors of Indebtedness represented by Capital Lease Obligations, purchase money obligations or other obligations, in each case incurred for the purpose of financing all or any part of the purchase price, cost or value of any equipment used in the business of the Company or any of the Guarantors, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (10), not to exceed \$10.0 million at any time outstanding;

(11) the incurrence by the Company or any of the Guarantors of Hedging Obligations;

(12) Indebtedness of the Company or any of the Guarantors to the extent the net proceeds thereof are promptly deposited to defease or satisfy and discharge all outstanding Notes in full as provided in Articles 8 and 12 hereof;

(13) obligations of the Company and any of the Guarantors arising from agreements of the Company or a Guarantor providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of the Company in accordance with the terms of this Indenture, other than Guarantees by the Company or any Guarantor of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary of the Company for the purpose of financing such acquisition; *provided, however*, that the maximum aggregate liability in respect of all such obligations shall not exceed the gross proceeds, including the fair market value as determined in good faith by the Board of Directors of the Company of non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and the Guarantors in connection with such disposition; or

(14) obligations of the Company and any of the Guarantors arising from the entering into, maintaining or disposing of, Core Investments, including, without limitation, purchasing of any Core Investment on margin, any capital call obligations, make-well arrangements, hedging obligations of any nature or any obligations regarding a short position in any of such Core Investments.

The Company will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (14) above, or is entitled to be incurred pursuant to Section 4.09(a) hereof, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. Indebtedness under Credit Facilities outstanding on the date on which Notes are first issued and authenticated under the indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt. Indebtedness permitted by this covenant need not be permitted by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this Section 4.09 permitting such Indebtedness. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this Section 4.09. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Company or any Guarantor may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.



- (c) The amount of any Indebtedness outstanding as of any date will be:
- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
  - (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
  - (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
    - (A) the Fair Market Value of such assets at the date of determination; and
    - (B) the amount of the Indebtedness of the other Person.

Section 4.10 *Asset Sales.*

Except as set forth in the second paragraph below, neither the Company nor any Guarantor will consummate an Asset Sale unless:

(1) the Company or the Guarantor, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Guarantor is in the form of cash. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Guarantor (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Guarantor from further liability;

(B) any securities, notes or other obligations received by the Company or any such Guarantor from such transferee that are, subject to ordinary settlement periods, converted by the Company or such Guarantor into cash within 90 days of such Asset Sale, to the extent of the cash received in that conversion; and

(C) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this Section 4.10.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, other than a Sale of Collateral, the Company (or the applicable Guarantor, as the case may be) may apply such Net Proceeds at its option:

(1) to repay Indebtedness and other Obligations under the Liggett Credit Agreement and correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another business, if, after giving effect to any such acquisition of Capital Stock, the business is or becomes a Guarantor;

(3) to make a capital expenditure; or

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in the conduct of the Company's or any Guarantor's business.

Notwithstanding the above, the Company may consummate any Asset Sale with respect to assets other than Equity Interests in, or assets of, any Guarantor without complying with the provisions of this Section 4.10.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale that constitutes a Sale of Collateral, the Guarantor that owned those assets may apply those Net Proceeds to purchase other long-term assets that would constitute Collateral or to repay First Priority Debt and, if such First Priority Debt is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and fourth paragraphs of this Section 4.10 will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds \$10.0 million, within five days thereof, the Company will make an Asset Sale Offer to all holders of Parity Lien Debt and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Parity Lien Debt and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to percentages corresponding to the applicable optional redemption price in effect on the repurchase date, and for periods prior to February 15, 2016, the first optional redemption price of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Parity Lien Debt and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee (as directed by the Company) will select the Parity Lien Debt and other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this Section 4.10, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) Except as provided in Section 4.11(c), neither the Company nor any Guarantor will make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each an “*Affiliate Transaction*”), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$3.0 million, a resolution of the Board of Directors of the Company set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with clause (1) of this Section 4.11(a) and that such Affiliate Transaction has been approved by a majority of the disinterested members, if any, of the Board of Directors of the Company; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$10.0 million, an opinion as to the fairness to the Company or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) any consulting or employment agreement or arrangement, employee benefit plan, officer indemnification agreement or any similar arrangement entered into by the Company or any of the Guarantors and payments pursuant thereto;

(2) transactions between or among the Company and/or the Guarantors;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Guarantor, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors’ fees (including the issuance of restricted stock) to directors of the Company and other reasonable compensation, benefits and indemnities paid or provided by the Company to the directors of the Company in their capacities as directors;

(5) any sale, grant, award or issuance of Equity Interests (other than Disqualified Stock) of the Company, including the exercise of options and warrants, to Affiliates, officers, directors or employees of the Company;

(6) Restricted Payments that do not violate Section 4.07 hereof;

(7) loans or advances to employees in the ordinary course of business not to exceed \$1.0 million in the aggregate at any one time outstanding;

(8) Permitted Investments; and

(9) Accelerated Note Conversions.

(c) If on the date of any Affiliate Transaction (other than an Affiliate Transaction between any of the Liggett Guarantors and any Affiliate of the Company other than the Company or another Guarantor) the Company's Consolidated EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available is no less than \$75.0 million, the provisions of Section 4.11(a) shall not apply to the consummation of such Affiliate Transaction.

#### Section 4.12 *Liens.*

Neither the Company nor any Guarantor will directly or indirectly create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens.

#### Section 4.13 *Corporate Existence.*

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

#### Section 4.14 *Offer to Repurchase Upon Change of Control.*

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to make an offer (a "*Change of Control Offer*") to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date (the "*Change of Control Payment*"). Within thirty days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.14 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the “*Change of Control Payment Date*”);

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled “Option of Holder to Elect Purchase” attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to \$2,000 in principal amount or an integral multiple of \$1,000 in excess thereof.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change in Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.09 or 4.14 hereof, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Sections 3.09 or 4.14 hereof by virtue of such compliance.

(b) On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers’ Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly mail (but in any case not later than five days after the Change of Control Payment Date) to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.14, the Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.14 and Section 3.09 hereof and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price. A Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of the Change of Control Offer. Notes repurchased pursuant to a Change of Control Offer will be retired and cancelled.

Section 4.15 *Limitation on Sale and Leaseback Transactions.*

Neither the Company nor any Guarantor will enter into any sale and leaseback transaction; *provided* that the Company or any Guarantor may enter into a sale and leaseback transaction if:

(1) the Company or that Guarantor, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Leverage Ratio and Secured Leverage Ratio tests in Section 4.09(a) hereof and (b) incurred a Lien to secure such Indebtedness pursuant to the provisions of Section 4.12 hereof;

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Company and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, Section 4.10 hereof.

Section 4.16 *Payments for Consent.*

Neither the Company nor any Guarantor will, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Collateral Documents or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.17 *Additional Note Guarantees.*

If the Company or any of the Guarantors acquires or creates another Domestic Subsidiary after the date of this Indenture (i) engaged directly or indirectly in the cigarette businesses or (ii) that is or becomes a borrower, obligor or guarantor under the Liggett Credit Agreement, then that newly acquired or created Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and, in the case of (ii), Collateral Documents consistent with those entered into by the Liggett Guarantors, and deliver an opinion of counsel satisfactory to the trustee within 10 Business Days of the date on which it was acquired or created. The form of such Note Guarantee is attached as Exhibit E hereto.

Section 4.18 *Unrestricted Subsidiaries.*

In no event may the business operated by Liggett Group LLC on the date of this Indenture be transferred to or held by an Unrestricted Subsidiary.

ARTICLE 5  
SUCCESSORS

Section 5.01 *Merger, Consolidation, or Sale of Assets.*

The Company shall not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and the Guarantors taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(A) the Company is the surviving corporation; or

(B) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is (i) a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia or (ii) a limited partnership or limited liability company organized or existing under the laws of the United States, any state thereof or the District of Columbia that has a wholly-owned Subsidiary that is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia, which corporation becomes a co-issuer of the Notes pursuant to a supplemental indenture duly and validly executed by the trustee;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes, this Indenture, the Registration Rights Agreement and the Collateral Documents pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made, would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Leverage Ratio and Secured Leverage Ratio tests set forth in Section 4.09(a) hereof.

In addition, the Company will not, directly or indirectly, lease all or substantially all of the properties or assets of it and the Guarantors taken as a whole, in one or more related transactions, to any other Person. This Section 5.01 will not apply to:

- (1) a merger of the Company with an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction; or
- (2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and any of the Guarantors that are not any of the Liggett Guarantors.

Notwithstanding anything to the contrary in this Section 5.01, or any other provisions in this Indenture (including, without limitation, Section 11.04), the Company shall not consolidate or merge with or into any of the Liggett Guarantors, nor sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and the Guarantors taken as a whole, in one or more transactions, to any of the Liggett Guarantors.

Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor Person formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the “Company” shall refer instead to the successor Person and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; *provided, however*, that the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of the Company’s assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

ARTICLE 6  
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.*

Each of the following is an “*Event of Default*”:

- (1) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to, the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes or default in the payment when due of a Change of Control Payment;
- (3) failure by the Company or any of the Guarantors for 30 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with the provisions of Sections 4.07, 4.09 or 4.10 hereof;
- (4) failure by the Company or any of the Guarantors for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture or the Collateral Documents;



(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of the Guarantors (or the payment of which is guaranteed by the Company or any of the Guarantors), whether such Indebtedness or Guarantee now exists, or is created after the date of this Indenture, if that default:

(A) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$10.0 million or more and such acceleration is not annulled within 30 days thereof or such Payment Default continues for 30 days;

(6) failure by the Company or any of the Guarantors to pay final non-appealable judgments entered by a court or courts of competent jurisdiction aggregating in excess of \$10.0 million (net of any amounts as to which a reputable and solvent third party insurer has accepted full coverage), which judgments are not paid, discharged or stayed for a period of 60 days

(7) the Company or any of the Guarantors that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any of the Guarantors that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of the Company or any of the Guarantors that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of the Guarantors that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company or any of the Guarantors that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; or

(9) breach by the Company or any of the Guarantors of any material representation or warranty or agreement in the Collateral Documents, and such failure shall continue for a period of 60 days after written notice to the Company by the Trustee, the Collateral Agent or the Holders of at least 25% in aggregate principal amount of the notes then outstanding voting as a single class;

(10) the repudiation by the Company or any of the Guarantors of any of its obligations under the Collateral Documents or the unenforceability of the Collateral Documents against the Company or any of the Guarantors for any reason;

(11) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee.

#### Section 6.02 *Acceleration.*

In the case of an Event of Default specified in clause (7) or (8) of Section 6.01 hereof, with respect to the Company, any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration and its consequences, if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium or Liquidated Damages, if any, that has become due solely because of the acceleration) have been cured or waived.

If an Event of Default occurs on or after February 15, 2016 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to Section 3.07 hereof, then, upon acceleration of the Notes, an equivalent premium shall also become and be immediately due and payable, to the extent permitted by law, anything in this Indenture or in the Notes to the contrary notwithstanding. If an Event of Default occurs prior to February 15, 2016 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to such date, then, upon acceleration of the Notes, an additional premium shall also become and be immediately due and payable, to the extent permitted by law, in an amount, for each of the years beginning on February 15 of the years set forth below, as set forth below (expressed as a percentage of the principal amount of the Notes on the date of payment that would otherwise be due but for the provisions of this sentence):

<b>Year</b>	<b>Percentage</b>
2013	7.750%
2014	6.458%
2015	5.167%

Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and Liquidated Damages, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase); *provided, however,* that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability, loss or expense that is not adequately indemnified in the reasonable judgment of the Trustee.

Section 6.06 *Limitation on Suits.*

Except to enforce the right to receive payment of principal, premium, if any, or interest or Liquidated Damages, if any, when due, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

- (1) such Holder gives to the Trustee written notice that an Event of Default is continuing;

- (2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer and, if requested, provide to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder; *provided* that a Holder shall not have the right to institute any such suit for the enforcement of payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture upon any property subject to such Lien.

Section 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities.*

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

*First:* to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

*Second:* to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

*Third:* to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

ARTICLE 7  
TRUSTEE

Section 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any loss, liability or expense for which it is not adequately indemnified in the reasonable judgment of the Trustee. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request or direction of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02 *Rights of Trustee.*

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company will be sufficient if signed by an Officer of the Company.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its rights to be indemnified, are extended to and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(h) The Trustee may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(i) The permissive rights of the Trustee to do certain things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default with respect to such permissive rights.

(j) The Trustee shall not be bound to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document unless requested in writing so to do by the holders of a majority in aggregate principal amount of the Notes affected then outstanding; *provided however*, that if the payment within a reasonable time to the Trustee of the costs and expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security conferred upon it by the terms of this Indenture, the Trustee may require indemnity reasonably satisfactory to the Trustee against such costs, expenses or liabilities as a condition to so proceeding; and the reasonable expense of such investigation shall be paid by the Company, or, if paid by the Trustee shall be repaid by the Company upon demand.

(k) The Trustee shall not be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss or profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) The Trustee shall not be required to give any note, bond, or surety in respect of the execution of the trusts and powers under this Indenture.

(m) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunction of utilities, computer (hardware or software) or communication services; accidents; labor disputes; act of civil or military authorities and governmental action.

Section 7.03 *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04 *Trustee's Disclaimer.*

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Reports by Trustee to Holders of the Notes.*

(a) Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA § 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA § 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Company and filed by the Trustee with the SEC and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Company will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity.*

(a) The Company will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Company will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.



(b) The Company and the Guarantors will indemnify the Trustee (including its officers, directors, employees and agents) against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Company, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee will notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company will not relieve the Company or any of the Guarantors of their obligations hereunder. The Company or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Company will pay the reasonable fees and expenses of such counsel. Neither the Company nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Company and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(d) To secure the Company's and the Guarantors' payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(7) or (8) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) The Trustee will comply with the provisions of TIA § 313(b)(2) to the extent applicable.

Section 7.08 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10 hereof;
- (2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (3) a custodian or public officer takes charge of the Trustee or its property; or
- (4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee.

Section 7.10 *Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least \$100.0 million as set forth in its most recent published annual report of condition.

This Indenture will always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against Company.*

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 8  
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Company and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

- (1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;
- (2) the Company's obligations with respect to such Notes under Article 2 and Section 4.02 hereof;
- (3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and the Guarantors' obligations in connection therewith; and
- (4) this Article 8.

Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.14, 4.15, 4.16, 4.17 and 4.18 hereof and clause (4) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, *Covenant Defeasance* means that, with respect to the outstanding Notes and Note Guarantees, the Company and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(6) and 6.01(9) through 6.01(11) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm, or firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of an election under Section 8.02 hereof, the Company must deliver to the Trustee an Opinion of Counsel to the Trustee confirming that:

(A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the date of this Indenture, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, the Company must deliver to the Trustee an Opinion of Counsel confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium and Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to Company.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium or Liquidated Damages, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium or Liquidated Damages, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 8.07 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantors' obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however*, that, if the Company makes any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note following the reinstatement of its obligations, the Company will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9  
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, and subject to the Intercreditor Agreement, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Collateral Documents, the Intercreditor Agreement, the Notes or the Note Guarantees without the consent of any Holder of Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption of the Company's or a Guarantor's obligations to the Holders of the Notes and Note Guarantees by a successor to the Company or such Guarantor pursuant to Article 5 or Article 11 hereof;
- (4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder;
- (5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;
- (6) to conform the text of this Indenture, the Collateral Documents, the Note Guarantees or the Notes to any provision of the "Description of Notes" section of the Company's Offering Memorandum dated February 4, 2013, relating to the initial offering of the Notes, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Collateral Documents, the Note Guarantees or the Notes;
- (7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes; or

(9) to make, complete or confirm any grant of Collateral permitted or required by this Indenture or any of the Collateral Documents or any release of Collateral that becomes effective as set forth in this Indenture or any of the Collateral Documents.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Company and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, and subject to the Intercreditor Agreement, the Company and the Trustee may amend or supplement this Indenture (including, without limitation, Section 3.09, 4.10 and 4.14 hereof), the Collateral Documents, the Intercreditor Agreement or the Notes and the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof and subject to the Intercreditor Agreement, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium or Liquidated Damages, if any, or interest on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Collateral Documents, the Intercreditor Agreement or the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). None of this Indenture, the Notes, the Note Guarantees or the Collateral Documents may be amended, modified or supplemented in any way that would contravene the Intercreditor Agreement. Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Company and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes or the Note Guarantees. However, without the consent of each Holder affected or, in the case of clauses (8) and (9) below only, the consent of at least 95% in aggregate principal amount of the Notes then outstanding, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes (except as provided above with respect to Sections 3.09, 4.10 and 4.14 hereof);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or premium or Liquidated Damages, if any, or interest on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.09, 4.10 or 4.14 hereof);
- (8) release all or substantially all of the Collateral from the Liens securing the Note Guarantees;
- (9) release any Guarantor from any of its obligations under its Note Guarantee or this Indenture if the assets or properties of that Guarantor constitute all or substantially all of the Collateral, except in accordance with the terms of this Indenture and the Intercreditor Agreement; or
- (10) make any change in the preceding amendment and waiver provisions.

Section 9.03 *Compliance with Trust Indenture Act.*

Every amendment or supplement to this Indenture or the Notes will be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.



Section 9.04 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amended or supplemental indenture until the Board of Directors of the Company approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 13.04 hereof, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10  
COLLATERAL AND SECURITY

Section 10.01 *Security.*

The payment of all amounts due under the Note Guarantees of the Pledgors and the performance of all Obligations of each of the Pledgors to the Holders will be secured, equally and ratably with any other Parity Lien Obligations of such Pledgors, by Liens on the Collateral of such Pledgors, subject to Permitted Prior Liens, as provided in the Collateral Documents and the Intercreditor Agreement. The payment of all amounts due under the Note Guarantee of VGR Holding and the performance of all Obligations of VGR Holding to the Holders will be secured, equally and ratably with any other Parity Lien Obligations of VGR Holding, by Liens on the Pledged Securities as provided in the Collateral Documents. The Collateral Documents shall provide for the grant by the Pledgors and VGR Holding to the Collateral Agent of security interests in the Collateral securing their Note Guarantees subject in the case of the Liggett Guarantors to the terms of the Intercreditor Agreement.

Section 10.02 *Equal and Ratable Sharing of Collateral by Holders of Parity Lien Debt.*

All Parity Liens granted at any time by the Pledgors or VGR Holding shall secure, equally and ratably, all present and future Parity Lien Obligations and all proceeds of all Parity Liens granted at any time by the Pledgors or VGR Holding shall be allocated and distributed equally and ratably on account of the Parity Lien Debt and other Parity Lien Obligations.

Section 10.03 *Release of Liens in Respect of Note Guarantees.*

Whether prior to or after the First Priority Debt has been paid in full, assets included in the Collateral shall be released from the Liens securing the Note Guarantees under any one or more of the following circumstances:

(a) the sale, lease, sublease, license, sublicense, conveyance or other disposition of products, services, inventory, or accounts receivable and related assets (including participations therein) in the ordinary course of business, including leases with respect to facilities that are temporarily not in use or pending their disposition, and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business or any other property that is uneconomic or no longer useful to the conduct of the business of the Company or the Guarantors, which such transactions are hereby expressly permitted under this Indenture;

(b) as to any Collateral sold, transferred or otherwise disposed of by a Guarantor to a Person that is not (either before or after such sale, transfer or disposition) the Company or a Guarantor in a transaction or other circumstance that complies with the provisions of Section 4.10 hereof and is permitted by the Noteholder Documents, and, if the First Priority Debt has not been paid in full, the ABL Documents; *provided* that such Liens will not be released if such sale or disposition is subject to the provisions of Section 5.01 hereof;

(c) if any Guarantor is released from its Note Guarantee, that Guarantor's assets will also be released from the Liens securing the Note Guarantee;

(d) in whole or in part, with the consent of the Holders of the requisite percentage of Notes in accordance with Article 9;

(e) if required in connection with certain foreclosure actions, or the exercise of other remedies in respect of Collateral, by the ABL Lender in respect of First Priority Debt in accordance with the terms of the Intercreditor Agreement;

(f) upon a Legal Defeasance or Covenant Defeasance of the Notes as set forth under Article 8;

(g) upon satisfaction and discharge of this Indenture as set forth under Article 12; or

(h) upon payment in full and discharge of all Notes outstanding under this Indenture and all Obligations that are outstanding, due and payable under this Indenture at the time the Notes are paid in full and discharged.

Section 10.04 *Relative Rights.*

Nothing in the Noteholder Documents or the Intercreditor Agreement shall:

(a) impair, as between the Company and the Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of, premium and interest and Liquidated Damages, if any, on the Notes in accordance with their terms or any other obligation of the Company or any Guarantor;

(b) affect the relative rights of Holders as against any other creditors of the Company or any Guarantor (other than holders of First Priority Liens, Permitted Prior Liens or other Parity Liens);

(c) restrict the right of any Holder to sue for payments that are then due and owing (but not enforce any judgment in respect thereof against any Collateral to the extent specifically prohibited under the Intercreditor Agreement);

(d) restrict or prevent any Holder or the Collateral Agent from exercising any of its rights or remedies upon a Default or Event of Default not specifically restricted or prohibited by the Intercreditor Agreement; or

(e) restrict or prevent any Holder or the Collateral Agent from taking any lawful action in an insolvency or liquidation proceeding not specifically restricted or prohibited by the Intercreditor Agreement.

Section 10.05 *Further Assurances, Compliance with Trust Indenture Act.*

(a) The Company and each of the Guarantors providing security for their Note Guarantees will do or cause to be done all acts and things that may be reasonably required, or that the Collateral Agent from time to time may reasonably request, to assure and confirm that the Collateral Agent holds, for the benefit of the holders of Parity Lien Obligations, duly created and enforceable and perfected Parity Liens upon the Collateral (including any categories of property or assets that are included as Collateral under the Collateral Documents or otherwise become Collateral after the Notes are issued), in each case, as contemplated by, and with the Lien priority required under, the Intercreditor Agreement and the Collateral Documents.

Upon the reasonable request of the Collateral Agent or the Trustee at any time and from time to time, the Company and each of the applicable Guarantors will promptly execute, acknowledge and deliver such security documents, instruments, certificates, notices and other documents, and take such other actions as shall be reasonably required, or that the Collateral Agent may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case as contemplated by the Collateral Documents for the benefit of the holders of Parity Lien Obligations, including any real property acquired by Pledgors in the future that has a Fair Market Value in excess of \$5.0 million.

The Company and the applicable Guarantors will:

(1) keep their properties adequately insured at all times by financially sound and reputable insurers;

(2) maintain such other insurance, to such extent and against such risks (and with such deductibles, retentions and exclusions), including fire and other risks insured against by extended coverage and coverage for acts of terrorism, as is customary with companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by them;

(3) maintain such other insurance as may be required by law;

(4) maintain title insurance on all real property Collateral insuring the Collateral Agent's Parity Lien on that property, subject only to Permitted Prior Liens and other exceptions to title approved by the Collateral Agent; and

(5) maintain such other insurance as may be required by the Collateral Documents.

Upon the request of the Collateral Agent, the Company and the Guarantors will furnish to the Collateral Agent full information as to their property and liability insurance carriers. Holders of Parity Lien Obligations, as a class, will be named as additional insureds, with a waiver of subrogation, on all insurance policies of the applicable Guarantors and the Collateral Agent will be named as loss payee, with 30 days' notice of cancellation or material change, on all property and casualty insurance policies of the applicable Guarantors.

(b) The Company shall comply with the provisions of TIA § 314.

To the extent applicable, the Company shall cause TIA § 313(b), relating to reports, and TIA § 314(d), relating to the release of property or securities subject to the Liens of the Collateral Documents, to be complied with. Any certificate or opinion required by TIA § 314(d) may be made by an Officer of the Company except in cases where TIA § 314(d) requires that such certificate or opinion be made by an independent Person, which Person shall be an independent engineer, appraiser or other expert selected by or reasonably satisfactory to the Trustee. Notwithstanding anything to the contrary in this paragraph, the Company shall not be required to comply with all or any portion of TIA § 314(d) if it determines, in good faith based on advice of counsel, that under the terms of TIA § 314(d) and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including "no action" letters or exemptive orders, all or any portion of TIA § 314(d) is inapplicable to one or a series of released Collateral and delivers a legal opinion stating that TIA § 314(d) is inapplicable to one or a series of released Collateral.

Section 10.06 *Collateral Agent.*

(a) The Company has appointed U.S. Bank National Association to serve as Collateral Agent under the Intercreditor Agreement and the Collateral Documents, for the benefit of the Holders of the Notes.

(b) The Collateral Agent is authorized and empowered to appoint one or more co-collateral agents as it deems necessary or appropriate.

(c) The Collateral Agent (directly or through co-trustees, agents or sub-agents) will hold, and will be entitled to enforce, all Liens on the Collateral.

(d) The Collateral Agent will be subject to such directions as may be given it by the Trustee from time to time as required or permitted by this Indenture. Except as directed by the Trustee and as required or permitted by this Indenture, the Intercreditor Agreement or as directed by the Holders with the requisite consent of such Holders, the Collateral Agent will not be obligated to:

- (1) act upon directions purported to be delivered to it by any other Person;
- (2) foreclose upon or otherwise enforce any Lien; or
- (3) take any other action whatsoever with regard to any or all of the Collateral Documents, the Liens created thereby or the Collateral.

The Company shall do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Intercreditor Agreement and the Noteholder Documents, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Collateral contemplated hereby, by the Intercreditor Agreement, the Noteholder Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Guarantees secured thereby, according to the intent and purposes herein and therein expressed.

(e) The Collateral Agent will be accountable only for amounts that it actually receives as a result of the enforcement of Liens created by the Collateral Documents.

(f) In acting as Collateral Agent, the Collateral Agent may rely upon and enforce each and all of the rights, powers, protections, immunities, indemnities and benefits of the Trustee under Article 7 *mutatis mutandis*, and, in connection therewith, references to the Trustee shall be deemed to include the Collateral Agent and references to this Indenture shall be deemed to include the Collateral Documents and references to negligence with respect to the Trustee will be deemed to be gross negligence with respect to the Collateral Agent.

(g) Each successor Trustee will become the successor Collateral Agent as and when the successor Trustee becomes the Trustee.

Section 10.07 *Authorization of Actions to Be Taken.*

(a) Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Collateral Document and the Intercreditor Agreement, as originally in effect and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to enter into the Collateral Documents, authorizes and empowers the Trustee and the Collateral Agent to execute and deliver the Intercreditor Agreement, and authorizes and empowers each of the Trustee and the Collateral Agent to bind the Holders of Notes as set forth in the Collateral Documents and the Intercreditor Agreement and to perform its obligations and exercise its rights and powers thereunder.

(b) The Collateral Agent and the Trustee are authorized and empowered to receive for the benefit of the Holders any funds collected or distributed under the Collateral Documents or the Intercreditor Agreement and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

(c) Subject to the provisions of Sections 7.01, 7.02 and 10.03 and the terms of the Intercreditor Agreement, the Trustee may, upon an Event of Default, in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

- (1) foreclose upon or otherwise enforce any or all of the Liens on the Collateral;
- (2) enforce any of the terms of the Collateral Documents or Intercreditor Agreement; or
- (3) collect and receive payment of any and all Obligations of the Pledgors and VGR Holding.

The Trustee will have power to (and to instruct the Collateral Agent to) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Collateral Documents, the Intercreditor Agreement or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders in the Collateral (including power to (and to instruct the Collateral Agent to) institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders, the Trustee or the Collateral Agent).

Section 10.08 *Recording and Opinions.*

(a) Promptly after (but in any event not more than 60 days after) the execution and delivery of this Indenture, or upon the later completion of all necessary filings, to the extent required by TIA § 314(b)(i), the Company shall furnish to the Trustee an Opinion of Counsel either:

(1) stating that, in the opinion of such counsel, all action has been taken with respect to the recording, registering and filing of this Indenture, financing statements or other instruments necessary to make effective the Liens intended to be created by the Collateral Documents, and reciting with respect to the security interests in the Collateral, the details of such action; or

(2) stating that, in the opinion of such counsel, no such action is necessary to make such Liens effective.

Such Opinion of Counsel may assume the due and proper filing of financing statements and the due and proper recordation of documents and instruments with federal, state and county officials, to the extent that such financing statements, documents and instruments have been presented for filing or recordation, or to the extent that such counsel has reviewed a file stamped copy or a recorded copy of any such financing statement, document or instrument.

(b) The Company will furnish to the Collateral Agent and the Trustee within 90 days after the end of each fiscal year, an Opinion of Counsel, dated as of such date, either:

(1) (A) stating that, in the opinion of such counsel, action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this Indenture, financing statements or continuation statements as is necessary to maintain the Liens of the Collateral Documents and reciting with respect to the security interests in the Collateral the details of such action or referring to prior Opinions of Counsel in which such details are given, and (B) stating that, in the opinion of such counsel, based on relevant laws as in effect on the date of such Opinion of Counsel, all financing statements and continuation statements have been executed and filed that are necessary as of such date and during the succeeding 12 months to maintain the Liens of the Collateral Documents and reciting the details of such actions; or

(2) stating that, in the opinion of such counsel, no such action is necessary to maintain such Liens.

(c) Immediately prior to the issuance of the Exchange Notes and annually thereafter, the Company will furnish to the Trustee and the Collateral Agent an Opinion of Counsel, in the form specified in Section 10.09(b) for that opinion, with respect to the effectiveness and perfection of the Liens intended to be created by the Collateral Documents. The Company will otherwise comply with the provisions of TIA § 314(b).

Section 10.09 *Certificates of the Company.*

The Company will furnish to the Trustee and the Collateral Agent, prior to each proposed release of Collateral pursuant to the Collateral Documents (other than with respect to Collateral released pursuant to Section 10.3(a) of this Indenture):

(1) all documents required by TIA § 314(d);

(2) an Officers' Certificate certifying that all terms for release under this Indenture and any applicable Collateral Documents have been satisfied and specifying (a) the identity of the Collateral to be released and (b) the applicable provisions of this Indenture and the Collateral Documents which authorize that release; and

(3) an Opinion of Counsel which may be rendered by internal counsel to the Company, to the effect that such accompanying documents constitute all documents required by TIA § 314(d).

The Trustee and the Collateral Agent may, to the extent permitted by Sections 7.01 and 7.02, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents, Officers' Certificate and such Opinion of Counsel.

Section 10.10 *Certificates of the Trustee.*

In the event that the Company wishes to release Collateral in accordance with this Indenture and the Collateral Documents and has delivered the certificates and documents required by this Indenture and the Collateral Documents and Sections 10.04, 10.09 and 10.10, the Trustee will determine whether it has received all documentation required by TIA § 314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to clause (3) of Section 10.10, will deliver a certificate to the Collateral Agent setting forth such determination. The Trustee, however, shall have no duty to confirm the legality or validity of such documents, its sole duty being to certify that it has received such documentation which on their face conform to Section 314(d) of the TIA.

Section 10.11 *Environmental Indemnity*

(a) Each of the Company and the Guarantors jointly and severally agrees to defend (subject to Indemnitees' selection of counsel), indemnify, pay and hold harmless the Trustee and each Holder and each of their respective Affiliates and each and all of the directors, officers, partners, trustees, employees, attorneys and agents, and (in each case) their respective heirs, representatives, successors and assigns (each of the foregoing, an "Indemnitee") from and against any and all Indemnified Liabilities; provided, no Indemnitee shall be entitled to indemnification hereunder with respect to any Indemnified Liability to the extent such Indemnified Liability is found by a final and nonappealable decision of a court of competent jurisdiction to have resulted directly and primarily from the gross negligence or willful misconduct of such Indemnitee.

(b) All amounts due under Section 10.11(a) hereof shall be payable not later than 10 days after written demand therefor.

(c) To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in Section 10.11(a) hereof may be unenforceable in whole or in part because they are violative of any law or public policy, each of the Company and Guarantors shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

(d) Neither the Company nor any Guarantor shall ever assert any claim against any Indemnitee, on any theory of liability, for any lost profits or special, indirect or consequential damages or (to the fullest extent lawful) any punitive damages arising out of, in connection with, or as a result of, this Indenture or any other Noteholder Document or any agreement or instrument or transaction contemplated hereby or relating in any respect to any Indemnified Liability, and each of the Company and Guarantors hereby forever waives, releases and agrees not to sue upon any claim for any such lost profits or special, indirect, consequential or (to the fullest extent lawful) punitive damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(e) The agreements in this Section 10.11 shall survive repayment of the Notes and all other amounts payable hereunder and the resignation and removal of the Trustee or Collateral Agent.

## ARTICLE 11 NOTE GUARANTEES

### Section 11.01 *Guarantee.*

(a) Subject to this Article 11, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(1) the principal of, premium and Liquidated Damages, if any, and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.



(c) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 11.02 *Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 11, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 11.03 *Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 11.01 hereof, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as Exhibit E hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 11.01 hereof will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee will be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Guarantors.

In the event that the Company or any of its Restricted Subsidiaries creates or acquires any Domestic Subsidiary after the date of this Indenture, if required by Section 4.17 hereof, the Company will cause such Domestic Subsidiary to comply with the provisions of Section 4.17 hereof and this Article 11, the extent applicable.

Section 11.04 *Guarantors May Consolidate, etc., on Certain Terms.*

Except as otherwise provided in Section 11.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(A) subject to Section 11.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under this Indenture, the Collateral Documents, its Note Guarantee and the Registration Rights Agreement on the terms set forth herein or therein, pursuant to a supplemental indenture and appropriate Collateral Documents in form and substance reasonably satisfactory to the Trustee; or

(B) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Company or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Guarantor.

Section 11.05 *Releases.*

(a) In the event of any sale or other disposition of all or substantially all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Capital Stock of any Guarantor, in each case provided such sale or disposition does not violate the provisions of Section 4.10 hereof, and in each case to a Person that is not (either before or after giving effect to such transactions) the Company or a Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the Capital Stock of such Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) will be released and relieved of any obligations under its Note Guarantee; *provided* that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation Section 4.10 hereof. Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by the Company in accordance with the provisions of this Indenture, including without limitation Section 4.10 hereof, the Trustee will execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Note Guarantee.

(b) Upon Legal Defeasance in accordance with Article 8 hereof or satisfaction and discharge of this Indenture in accordance with Article 12 hereof, each Guarantor will be released and relieved of any obligations under its Note Guarantee.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 11.05 will remain liable for the full amount of principal of and interest and premium and Liquidated Damages, if any, on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 11.

ARTICLE 12  
SATISFACTION AND DISCHARGE

Section 12.01 *Satisfaction and Discharge.*

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been irrevocably deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section 12.01, the provisions of Sections 12.02 and 8.06 hereof will survive. In addition, nothing in this Section 12.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 12.02 *Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 12.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium and Liquidated Damages, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 12.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.01 hereof; *provided* that if the Company has made any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 13  
MISCELLANEOUS

Section 13.01 *Trust Indenture Act Controls.*

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties will control.

Section 13.02 *Notices.*

Any notice or communication by the Company, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company and/or any Guarantor:

Vector Group Ltd.  
100 S.E. 2<sup>nd</sup> Street, 32<sup>nd</sup> Floor  
Miami, Florida 33131  
Attention: Marc N. Bell, Esq.  
Facsimile No.: (305) 579-8009

With a copy to:  
O'Melveny & Myers LLP  
400 South Hope Street  
Los Angeles, California 90071  
Attention: Eric R. Reimer and John-Paul Motley  
Facsimile No.: (213) 430-6407

If to the Trustee:

U.S. Bank National Association,  
Global Corporate Trust Services  
60 Livingston Avenue  
EP-MN-WS3C  
St. Paul, MN 55107-2292  
Attention: Joshua A. Hahn  
Facsimile No.: (651) 466-7430

The Company, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

Section 13.03 *Communication by Holders of Notes with Other Holders of Notes.*

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Section 13.04 *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.05 *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) must comply with the provisions of TIA § 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 13.06 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.07 *No Personal Liability of Directors, Officers, Employees and Stockholders.*

No past, present or future director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, the Collateral Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 13.08 *Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10 *Successors.*

All agreements of the Company in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 11.05 hereof.

Section 13.11 *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 13.12 *Counterpart Originals.*

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

Section 13.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

Section 13.14 *Waiver of Jury Trial.*

EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 13.15 *Security Advice Waiver.*

The Issuer acknowledges that regulations of the Comptroller of the Currency might grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. The Issuer specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements that will detail all investment transactions, if any.

Section 13.16 *USA Patriot Act.*

The parties hereto acknowledge that in accordance with the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties hereto agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[Signatures on following page]



IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

**The Company:**

**VECTOR GROUP LTD.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President, Treasurer and Chief Financial Officer

**Guarantors:**

**VGR HOLDING LLC**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President, Treasurer and Chief  
Financial Officer

**LIGGETT GROUP LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President, General Counsel and Secretary

**LIGGETT VECTOR BRANDS LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President and General Counsel

(Signature page to Indenture)

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**VECTOR RESEARCH LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President, Treasurer and Chief  
Financial Officer

**VECTOR TOBACCO INC.**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President of Finance, Treasurer and  
Chief Financial Officer

**LIGGETT & MYERS HOLDINGS INC.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Treasurer

**100 MAPLE LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Secretary

**V.T. AVIATION LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President of Finance, Treasurer and Chief Financial Officer

(Signature page to Indenture)

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**VGR AVIATION LLC**

By: /s/ Francis G. Wall

Name: Francis G. Wall

Title: Vice President of Finance, Treasurer and Chief Financial Officer

**EVE HOLDINGS INC.**

By: /s/ J. Bryant Kirkland III

Name: J. Bryant Kirkland III

Title: Vice President and Treasurer

**ACCOMMODATIONS ACQUISITION CORPORATION**

By: /s/ J. Bryant Kirkland III

Name: J. Bryant Kirkland III

Title: Vice President and Treasurer

(Signature page to Indenture)

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Trustee:

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Joshua A. Hahn  
Name: Joshua A. Hahn  
Title: Assistant Vice President

(Signature page to Indenture)

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[Face of Note]

CUSIP/CINS \_\_\_\_\_

7.750% Senior Secured Notes due 2021

No. \_\_\_\_\_ \$ \_\_\_\_\_

VECTOR GROUP LTD.

promises to pay to [\_\_\_\_\_] or registered assigns,

the principal sum of \_\_\_\_\_ DOLLARS on February 15, 2021.

Interest Payment Dates: February 15 and August 15

Record Dates: February 1 and August 1

Dated: \_\_\_\_\_, 20\_\_

VECTOR GROUP LTD.

By: \_\_\_\_\_  
Name:  
Title:

This is one of the Notes referred to  
in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST.* Vector Group Ltd., a Delaware corporation (the “*Company*”), promises to pay interest on the principal amount of this Note at 7.750% per annum from \_\_\_\_\_, 20\_\_ until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 15 and August 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an “*Interest Payment Date*”). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be \_\_\_\_\_, 20\_\_. The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT.* The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the February 1 or August 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR.* Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE AND COLLATERAL.*

(a) The Company issued the Notes under an Indenture dated as of February 12, 2013 (the “*Indenture*”) among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

(b) The payment of all amounts due under the Note Guarantees of the Pledgors and the performance of all Obligations of each of the Pledgors to the Holders will be secured, equally and ratably with any other Parity Lien Obligations of such Pledgors, by Liens on the Collateral of such Pledgors, subject to Permitted Prior Liens, as provided in the Collateral Documents and the Intercreditor Agreement. The payment of all amounts due under the Note Guarantee of VGR Holding and the performance of all Obligations of VGR Holding to the Holders will be secured, equally and ratably with any other Parity Lien Obligations of VGR Holding, by Liens on the Pledged Securities as provided in the Collateral Documents. The Collateral Documents shall provide for the grant by the Pledgors and VGR Holding to the Collateral Agent of security interests in the Collateral securing their Note Guarantees subject in the case of the Liggett Guarantors to the terms of the Intercreditor Agreement.

(5) *OPTIONAL REDEMPTION.*

(a) At any time prior to February 15, 2016, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 107.750% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of a sale of common Equity Interests (other than Disqualified Stock) of the Company; provided that:

(i) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(ii) the redemption occurs within 90 days of the date of the closing of such sale of Equity Interests.

(b) At any time prior to February 15, 2016, the Company may also redeem all or a part of the Notes, upon not less than 30 nor more than 60 days’ prior notice mailed by first-class mail to each Holder’s registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the applicable date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

(c) Except pursuant to the preceding paragraphs, the Notes will not be redeemable at the Company’s option prior to February 15, 2016.

(d) On or after February 15, 2016, the Company may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the Notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on February 15 of the years indicated below, subject to the rights of Holders on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Percentage
2016	105.813%
2017	103.875%
2018	101.938%
2019 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.* The Company is not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date (the "Change of Control Payment"). Within thirty days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control as required by the Indenture.

(b) If the Company or a Guarantor consummates any Asset Sales, within five days of each date on which the aggregate amount of Excess Proceeds exceeds \$10.0 million, the Company will commence an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.09 and 4.10 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to percentages corresponding to the applicable optional redemption price in effect on the repurchase date, and for periods prior to February 15, 2016, the first optional redemption price of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase, and will be payable in cash, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Guarantor) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to the Notes.



(8) *NOTICE OF REDEMPTION.* Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than \$2,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE.* The Notes are in registered form without coupons in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *PERSONS DEEMED OWNERS.* The registered Holder of a Note may be treated as its owner for all purposes.

(11) *AMENDMENT, SUPPLEMENT AND WAIVER.* Subject to certain exceptions, and subject to the Intercreditor Agreement, the Indenture, the Notes, the Note Guarantees or the Collateral Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default (except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes) or compliance with any provision of the Indenture, the Notes, the Note Guarantees or the Collateral Documents may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Notes, the Note Guarantees or the Collateral Documents may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's or a Guarantor's obligations to Holders of the Notes and Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Notes, the Note Guarantees or the Collateral Documents to any provision of the "Description of Notes" section of the Company's Offering Memorandum dated February 4, 2013, relating to the initial offering of the Notes, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees, the Collateral Documents or the Notes; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture; to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes, or to make, complete or confirm any grant of Collateral permitted or required by the Indenture or any of the Collateral Documents or any release of Collateral that becomes effective as set forth in the indenture or any of the Collateral Documents. In addition, any amendment or supplement to, or waiver of, the provisions of the Indenture or any Collateral Document that has the effect of releasing all or substantially all of the Collateral from the Liens securing the Note Guarantees or releasing any Guarantor from any of its obligations under its Note Guarantee or the Indenture if the assets or properties of that Guarantor constitute all or substantially all of the Collateral, except in accordance with the terms of the Indenture and the Intercreditor Agreement, will require the consent of the holders of at least 95% in aggregate principal amount of the Notes then outstanding.

(12) *DEFAULTS AND REMEDIES.* Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Notes; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes or default in the payment when due of a Change of Control Payment, (iii) failure by the Company or any of the Guarantors for 30 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding including Additional Notes, if any, voting as a single class to comply with the provisions of Sections 4.07, 4.09 or 4.10 hereof; (iv) failure by the Company or any of the Guarantors for 60 days after notice to the Company by the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding including Additional Notes, if any, voting as a single class to comply with any of the other agreements in the Indenture or the Collateral Documents; (v) default under certain other agreements relating to Indebtedness of the Company which default arises from the failure to pay principal, interest or premium on such Indebtedness and such Default continues for 30 days or results in the acceleration of such Indebtedness prior to its express maturity and such acceleration is not annulled within 30 days; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary; (viii) the breach for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding including Additional Notes, if any, voting as a single class of certain representations or warranties or agreements in the Collateral Documents; (ix) the repudiation by the Company or any of the Guarantors of any of its obligations under the Collateral Documents or the unenforceability of the Collateral Documents against the Company or any of the Guarantors for any reason; and (x) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Note Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(13) *TRUSTEE DEALINGS WITH COMPANY.* The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(14) *NO RECOURSE AGAINST OTHERS.* A director, officer, employee, incorporator or stockholder of the Company or any of the Guarantors, as such, will not have any liability for any obligations of the Company or the Guarantors under the Notes, the Note Guarantees, the Collateral Documents or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) *AUTHENTICATION.* This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) *ABBREVIATIONS.* Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) *ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES.* In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of February 12, 2013, among the Company, the Guarantors and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Company, the Guarantors and the other parties thereto, relating to rights given by the Company and the Guarantors to the purchasers of any Additional Notes (collectively, the “*Registration Rights Agreement*”).

(18) *CUSIP NUMBERS.* Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(19) *GOVERNING LAW.* THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

Vector Group Ltd.  
100 S.E. 2nd Street, 32nd Floor  
Miami, Florida 33131  
Attention: Marc N. Bell, Esq.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

\_\_\_\_\_ (Insert assignee's legal name)

\_\_\_\_\_ (Insert assignee's soc. sec. or tax I.D. no.)

\_\_\_\_\_ (Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_  
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee\*: \_\_\_\_\_

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.14 of the Indenture, check the appropriate box below:

Section 4.10

Section 4.14

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.14 of the Indenture, state the amount you elect to have purchased:

\$ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: \_\_\_\_\_

Signature Guarantee\*: \_\_\_\_\_

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE \*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian
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\* *This schedule should be included only if the Note is issued in global form.*

## FORM OF CERTIFICATE OF TRANSFER

[Company address block]

[Registrar address block]

Re: 7.750% Senior Secured Notes due 2021

Reference is hereby made to the Indenture, dated as of February 12, 2013 (the “*Indenture*”), among Vector Group Ltd., as issuer (the “*Company*”), the Guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_, (the “*Transferor*”) owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of \$\_\_\_\_\_ in such Note[s] or interests (the “*Transfer*”), to \_\_\_\_\_ (the “*Transferee*”), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1.  **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the “*Securities Act*”), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2.  **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Restricted Definitive Note pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act; (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.



3.  **Check and complete if Transferee will take delivery of a beneficial interest in the IAI Global Note or a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a)  such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b)  such Transfer is being effected to the Company or a subsidiary thereof;

or

(c)  such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d)  such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144, Rule 903 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than \$250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Restricted Definitive Notes and in the Indenture and the Securities Act.

4.  **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.**

(a)  **Check if Transfer is pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b)  **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c)  **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

\_\_\_\_\_  
[Insert Name of Transferor]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a)  a beneficial interest in the:
- (i)  144A Global Note (CUSIP \_\_\_\_\_), or
  - (ii)  Regulation S Global Note (CUSIP \_\_\_\_\_), or
  - (iii)  IAI Global Note (CUSIP \_\_\_\_\_); or
- (b)  a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a)  a beneficial interest in the:
- (i)  144A Global Note (CUSIP \_\_\_\_\_), or
  - (ii)  Regulation S Global Note (CUSIP \_\_\_\_\_), or
  - (iii)  IAI Global Note (CUSIP \_\_\_\_\_); or
  - (iv)  Unrestricted Global Note (CUSIP \_\_\_\_\_); or
- (b)  a Restricted Definitive Note; or
- (c)  an Unrestricted Definitive Note,
- in accordance with the terms of the Indenture.

## FORM OF CERTIFICATE OF EXCHANGE

[Company address block]

[Registrar address block]

Re: 7.750% Senior Secured Notes due 2021

(CUSIP \_\_\_\_\_)

Reference is hereby made to the Indenture, dated as of February 12, 2013 (the “*Indenture*”), among Vector Group Ltd. as issuer (the “*Company*”), the Guarantors party thereto and U.S. Bank National Association as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_, (the “*Owner*”) owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of \$\_\_\_\_\_ in such Note[s] or interests (the “*Exchange*”). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a)  **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the “*Securities Act*”), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b)  **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c)  **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note.** In connection with the Owner’s Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d)  **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note.** In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a)  **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b)  **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note.** In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE]  144A Global Note,  Regulation S Global Note,  IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

\_\_\_\_\_  
[Insert Name of Transferor]

By:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Title:

Dated: \_\_\_\_\_

FORM OF CERTIFICATE FROM  
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

[Company address block]

[Registrar address block]

Re: 7.750% Senior Secured Notes due 2015

Reference is hereby made to the Indenture, dated as of February 12, 2013 (the "Indenture"), among Vector Group Ltd. as issuer (the "Company"), the Guarantors party thereto and U.S. Bank National Association as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of \$\_\_\_\_\_ aggregate principal amount of:

- (a)  a beneficial interest in a Global Note, or
- (b)  a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "*Securities Act*").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Company or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than \$250,000, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person purchasing the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional “accredited investor”) as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

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[Insert Name of Accredited Investor]

By:

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Name:

Title:

Dated: \_\_\_\_\_

[FORM OF NOTATION OF GUARANTEE]

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of February 12, 2013 (the “*Indenture*”) among Vector Group Ltd. (the “*Company*”), the Guarantors party thereto and U.S. Bank National Association as trustee (the “*Trustee*”), (a) the due and punctual payment of the principal of, premium and Liquidated Damages, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF GUARANTOR(S)]

By: \_\_\_\_\_  
Name:  
Title:



[FORM OF SUPPLEMENTAL INDENTURE  
TO BE DELIVERED BY SUBSEQUENT GUARANTORS]

SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of \_\_\_\_\_, 20\_\_, among \_\_\_\_\_ (the “*Guaranteeing Subsidiary*”), a subsidiary of Vector Group Ltd. (or its permitted successor), a Delaware corporation (the “*Company*”), the Company, the other Guarantors (as defined in the Indenture referred to herein) and \_\_\_\_\_, as trustee under the Indenture referred to below (the “*Trustee*”).

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the “*Indenture*”), dated as of February 12, 2013 providing for the issuance of 7.750% Senior Secured Notes due 2021 (the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guarantoring Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guarantoring Subsidiary shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Note Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantoring Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. AGREEMENT TO GUARANTEE. The Guarantoring Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 11 thereof.
4. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guarantoring Subsidiary, as such, shall have any liability for any obligations of the Company or any Guarantoring Subsidiary under the Notes, any Note Guarantees, the Collateral Documents, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.
5. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.
6. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: \_\_\_\_\_, 20\_\_

[GUARANTEEING SUBSIDIARY]

By: \_\_\_\_\_  
Name:  
Title:

VECTOR GROUP LTD.

By: \_\_\_\_\_  
Name:  
Title:

[EXISTING GUARANTORS]

By: \_\_\_\_\_  
Name:  
Title:

[TRUSTEE],  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

**REGISTRATION RIGHTS AGREEMENT**

**by and among**

**VECTOR GROUP LTD.**

**VGR HOLDING LLC  
LIGGETT GROUP LLC  
LIGGETT VECTOR BRANDS LLC  
VECTOR RESEARCH LLC  
LIGGETT & MYERS HOLDINGS INC.  
100 MAPLE LLC  
V.T. AVIATION LLC  
VGR AVIATION LLC  
EVE HOLDINGS INC.  
VECTOR TOBACCO INC.  
ACCOMMODATIONS ACQUISITION CORPORATION**

**and**

**JEFFERIES & COMPANY, INC.**

**Dated as of February 12, 2013**

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This Registration Rights Agreement, dated as of February 12, 2013 (this "Agreement"), is entered into by and among (i) Vector Group Ltd., a Delaware corporation (the "Issuer"), (ii) VGR Holding LLC, a Delaware limited liability company, Liggett Group LLC, a Delaware limited liability company, Liggett Vector Brands LLC, a Delaware limited liability company, Vector Research LLC, a Delaware limited liability company, Liggett & Myers Holdings Inc., a Delaware corporation, 100 Maple LLC, a Delaware limited liability company, V.T. Aviation LLC, a Delaware limited liability company, VGR Aviation LLC, a Delaware limited liability company, Eve Holdings Inc., a Delaware corporation, Vector Tobacco Inc., a Virginia corporation, and Accommodations Acquisition Corporation, a Delaware corporation and (iii) Jefferies & Company, Inc. (the "Initial Purchaser"), which has agreed to purchase \$450,000,000 aggregate principal amount of the Issuer's 7.750% Senior Secured Notes due 2021 (the "Series A Notes") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated as of February 4, 2013 (the "Purchase Agreement"), by and among the Issuer, the Guarantors and the Initial Purchaser. In order to induce the Initial Purchaser to purchase the Series A Notes, the Issuer and the Guarantors have agreed to provide, subject to the conditions in this Agreement, the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchaser set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture (the "Indenture") to be dated the Closing Date (defined below) among the Issuer, the Guarantors and U.S. Bank National Association, as Trustee (the "Trustee"), relating to the Series A Notes and the Series B Notes (defined below).

The parties hereby agree as follows:

## **SECTION 1. DEFINITIONS**

As used in this Agreement, the following capitalized terms shall have the following meanings:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Affiliate" has the meaning set forth in Rule 144 of the Act.

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Broker-Dealer" means any broker or dealer registered under the Exchange Act.

"Business Day" means any day except a Saturday, Sunday or any other day on which banking institutions in the City of New York, or in the city of the corporate trust office of the Trustee, are authorized or obligated by law or regulation to close.

"Closing Date" means the date of this Agreement.

“Consummate” means, and an Exchange Offer shall be deemed Consummated for purposes of this Agreement upon, the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) and (c) the delivery by the Issuer to the Registrar under the Indenture of Series B Notes in the same aggregate principal amount as the aggregate principal amount of Series A Notes tendered by Holders thereof pursuant to the Exchange Offer.

“Consummation Deadline” has the meaning set forth in Section 3(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Exchange Offer” means the exchange and issuance by the Issuer of a principal amount of Series B Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Series A Notes that are validly tendered by Holders in connection with such exchange and issuance.

“Exchange Offer Effectiveness Deadline” has the meaning set forth in Section 3(a).

“Exchange Offer Filing Deadline” has the meaning set forth in Section 3(a).

“Exchange Offer Registration Statement” means the Registration Statement relating to the Exchange Offer, including the related Prospectus.

“Free Writing Prospectus” means each offer to sell or solicitation of an offer to buy the Series A Notes or the Series B Notes that would constitute a “free writing prospectus” (if the offering of the Series A Notes or the Series B Notes was made pursuant to a registered offering under the Act) as defined in Rule 405 under the Act, prepared by or on behalf of the Issuer or used or referred to by the Issuer in connection with the sale of the Series A Notes or the Series B Notes.

“Guarantors” has the meaning set forth in the Indenture.

“Holdings” shall have the meaning set forth in Section 2.

“Indemnified Party” has the meaning set forth in Section 8(c).

“Indemnifying Party” has the meaning set forth in Section 8(c).

“Indenture” has the meaning set forth in the preamble of this Agreement.

“Initial Purchaser” has the meaning set forth in the preamble of this Agreement.

“Issuer” has the meaning set forth in the preamble of this Agreement.

“Notes” has the meaning set forth in the Indenture.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

“Prospectus” means the prospectus included in a Registration Statement at the time such Registration Statement is declared effective (including without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance on Rule 430A under the Act), as amended or supplemented by any prospectus supplement and by all other amendments thereto, including (a) post-effective amendments and (b) any Free Writing Prospectus, and all material incorporated by reference into such prospectus.

“Purchase Agreement” has the meaning set forth in the preamble of this Agreement.

“Recommencement Date” has the meaning set forth in Section 6(d).

“Registration Default” has the meaning set forth in Section 5.

“Registration Statement” means any registration statement of the Issuer and the Guarantors relating to (a) an offering of Series B Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and materials incorporated by reference therein.

“Rule 144” means Rule 144 promulgated under the Act.

“SEC” means the Securities and Exchange Commission.

“Series A Notes” has the meaning set forth in the preamble of this Agreement.

“Series B Notes” means the Issuer’s 7.750% Senior Secured Notes due 2021 to be issued pursuant to the Indenture (a) in the Exchange Offer or (b) as contemplated by Section 4.

“Shelf Effectiveness Deadline” has the meaning set forth in Section 4(a).

“Shelf Filing Deadline” has the meaning set forth in Section 4(a).

“Shelf Registration Statement” has the meaning set forth in Section 4(a).

“Suspension Notice” has the meaning set forth in Section 6(d).

“TIA” means the Trust Indenture Act of 1939 as in effect on the date of the Indenture.

“Transfer Restricted Securities” means each Series A Note until (a) the date on which such Series A Note has been exchanged by a Person other than a Broker-Dealer for a Series B Note in the Exchange Offer; (b) following the exchange by a Broker-Dealer in the Exchange Offer of a Series A Note for a Series B Note, the date on which the Series B Note is sold or otherwise disposed of to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement; (c) the date on which such Series A Note has been registered under the Act and disposed of in accordance with the Shelf Registration Statement; or (d) the date on which such Series A Note is distributed to the public pursuant to Rule 144, provided that on or prior to such date either (i) the Exchange Offer has been consummated or (ii) a Shelf Registration Statement has been declared effective by the SEC.

## **SECTION 2. HOLDERS**

A Person is deemed to be a holder of Transfer Restricted Securities (a “Holder”) whenever such Person owns Transfer Restricted Securities.

## **SECTION 3. REGISTERED EXCHANGE OFFER**

(a) Unless the Exchange Offer shall not be permitted by applicable law or SEC policy, the Issuer and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the SEC not later than 240 days after the Closing Date (such 240th day being the “Exchange Offer Filing Deadline”), (ii) use all commercially reasonable efforts to cause such Exchange Offer Registration Statement to be declared effective by the SEC not later than 330 days after the Closing Date (such 330th day being the “Exchange Offer Effectiveness Deadline”), and (iii) commence the Exchange Offer promptly following the declaration of effectiveness of such Exchange Offer Registration Statement and use all commercially reasonable efforts to consummate the Exchange Offer on or prior to the date 30 Business Days (or longer if there is a change in the federal securities laws that requires an issuer exchange offer for its debt securities to remain open for more than 30 Business Days) after the Exchange Offer Registration Statement is declared effective (such date being the “Consummation Deadline”). The Exchange Offer shall be on the appropriate form permitting (x) registration of the Series B Notes to be offered in exchange for the Series A Notes that are Transfer Restricted Securities and (y) resales of Series B Notes by Broker-Dealers that tendered into the Exchange Offer Series A Notes that such Broker-Dealer acquired for its own account as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Issuer or any of its Affiliates) as contemplated by Section 3(c).

(b) The Issuer and the Guarantors shall use all commercially reasonable efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable securities laws to consummate the Exchange Offer; *provided, however*, that in no event shall such period be less than 20 Business Days. The Issuer and the Guarantors shall cause the Exchange Offer to comply with all applicable securities laws. No securities other than the Series B Notes and related guarantees shall be included in the Exchange Offer Registration Statement.



(c) The Issuer and the Guarantors shall include a “Plan of Distribution” section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Issuer or any of its Affiliates), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such “Plan of Distribution” section shall also contain all other information with respect to such sales by such Broker-Dealers that the SEC may require in order to permit such sales pursuant thereto, but such “Plan of Distribution” shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the SEC as a result of a change in policy, rules or regulations after the date of this Agreement.

Because any such Broker-Dealer may be deemed to be an “underwriter” within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with the initial sale of any Series B Notes received by such Broker-Dealer in the Exchange Offer, the Issuer and the Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the Prospectus contained in the Exchange Offer Registration Statement is available for sales of Series B Notes by Broker-Dealers, the Issuer and the Guarantors agree to use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Section 6(a) and (c) and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the SEC as announced from time to time, for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Issuer and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than one day after such request, at any time during such period.

#### **SECTION 4. SHELF REGISTRATION**

(a) Shelf Registration. If (i) the Exchange Offer is not permitted by applicable law or SEC policy (after the Issuer and the Guarantors have complied with the procedures set forth in Section 6(a)(iii)(A)) or (ii) any Holder notifies the Issuer prior to the 20th Business Day following the Consummation Deadline that (A) it is prohibited by law or SEC policy from participating in the Exchange Offer, (B) it may not resell the Series B Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) it is a Broker-Dealer and holds Series A Notes acquired directly from the Issuer or any of its Affiliates, then the Issuer and the Guarantors will:

(x) use all commercially reasonable efforts to cause to be filed, not later than 90 days after the earlier of (i) the date on which the Issuer determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) of this Section 4 and (ii) the date on which the Issuer receives the notice specified in clause (a)(ii) of this Section 4 (such earlier date, the “Shelf Filing Deadline”), a shelf registration statement for an offering to be made on a continuous basis pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement) (the “Shelf Registration Statement”) relating to all Transfer Restricted Securities; *provided, however*, that, notwithstanding this Section 4(a)(x), the Issuer and the Guarantors shall not be required to file the Shelf Registration Statement prior to the Exchange Offer Filing Deadline; and

(y) use all commercially reasonable efforts to cause such Shelf Registration Statement to become effective not later than 180 days after the earlier of (i) the date on which the Issuer determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) of this Section 4 and (ii) the date on which the Issuer receives the notice specified in clause (a)(ii) of this Section 4 (such 180th day the “Shelf Effectiveness Deadline”).

If, after the Issuer has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a), the Issuer is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable law (i.e., clause (a)(i) of this Section 4), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) of this Section 4(a); *provided, however*, that in such event, the Issuer shall remain obligated to meet the Shelf Effectiveness Deadline set forth in clause (y) of this Section 4(a).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii), the Issuer and the Guarantors shall use all commercially reasonable efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Section 6(b) and (c) and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the SEC as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Issuer in writing, within 10 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary prospectus included therein. No Holder shall be entitled to liquidated damages pursuant to Section 5 unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information as requested by the SEC or as required to be disclosed in order to make the information previously furnished to the Issuer by such Holder not materially misleading.

## SECTION 5. LIQUIDATED DAMAGES

If (a) any Registration Statement required by this Agreement is not filed with the SEC on or prior to the applicable Exchange Offer Filing Deadline or Shelf Filing Deadline, (b) any such Registration Statement has not been declared effective by the SEC on or prior to the applicable Exchange Offer Effectiveness Deadline or Shelf Effectiveness Deadline, (c) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (d) the Shelf Registration Statement or the Exchange Offer Registration Statement is filed and declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in this Agreement (each such event referred to in clauses (a) through (d) above, a “Registration Default”), then the Issuer and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby liquidated damages at a rate equal to 0.25% per annum on the outstanding principal amount of Transfer Restricted Securities held by such Holder with respect to the first 90-day period immediately following the occurrence of the first Registration Default. The amount of the liquidated damages shall increase at a rate of 0.25% per annum on the outstanding principal amount of Transfer Restricted Securities held by such Holder with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum rate of liquidated damages of 1.00% per annum of the outstanding principal amount of Transfer Restricted Securities held by such Holder; *provided, however*, that the Issuer and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (i) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) in the case of clause (a) of this Section 5, (ii) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) in the case of clause (b) of this Section 5, (iii) upon Consummation of the Exchange Offer in the case of clause (c) of this Section 5 or (iv) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of clause (d) of this Section 5, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clauses (a), (b), (c) or (d) of this Section 5, as applicable, shall cease.

All accrued liquidated damages will be paid by the Issuer and the Guarantors to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on the next scheduled Interest Payment Date (as such date is defined in the Notes), as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any Notes for which liquidated damages are due cease to be Transfer Restricted Securities, all obligations of the Issuer and the Guarantors to pay such accrued liquidated damages with respect to the Notes shall survive until such time as such obligations with respect to the Notes have been satisfied in full. The liquidated damages set forth above shall be the exclusive monetary remedy available to the Holders for a Registration Default.

## SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Issuer and the Guarantors shall (i) comply with all applicable provisions of Section 6(c), (ii) use all commercially reasonable efforts to effect such exchange and to permit the resale of Series B Notes by Broker-Dealers that tendered in the Exchange Offer Series A Notes that such Broker-Dealer acquired for its own account as a result of its market-making activities or other trading activities (other than Series A Notes acquired directly from the Issuer or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (iii) comply with all of the following provisions:

(A) If, following the date hereof, there has been announced a change in SEC policy with respect to exchange offers such as the Exchange Offer that, in the reasonable opinion of counsel to the Issuer, raises a substantial question as to whether the Exchange Offer is permitted by applicable law, the Issuer and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the SEC allowing the Issuer and the Guarantors to consummate an Exchange Offer for such Transfer Restricted Securities. The Issuer and the Guarantors hereby agree to pursue the issuance of such a decision to the SEC staff level. In connection with the foregoing, the Issuer and the Guarantors hereby agree to take all such other commercially reasonable actions as may be requested by the SEC or otherwise required in connection with the issuance of such decision, including without limitation (1) participating in telephonic conferences with the SEC, (2) delivering to the SEC staff an analysis prepared by counsel to the Issuer setting forth the legal basis, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (3) diligently pursuing a resolution (which need not be favorable) by the SEC staff.

(B) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, if requested by the Issuer, prior to the consummation of the Exchange Offer, a written representation to the Issuer and the Guarantors (which shall be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement or be deemed made by virtue of tendering into the Exchange Offer pursuant to the provisions of the Exchange Offer Prospectus) to the effect that (1) it is not an Affiliate of the Issuer, (2) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any Person to participate in, a distribution of the Series B Notes to be issued in the Exchange Offer and (3) it is acquiring the Series B Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer, each Holder using the Exchange Offer to participate in a distribution of the Series B Notes shall acknowledge and agree that, if the resales are of Series B Notes obtained by such Holder in exchange for Series A Notes acquired directly from the Issuer or an Affiliate thereof, it (x) could not, under SEC policy as in effect on the date of this Agreement, rely on the position of the SEC enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the SEC's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (a)(iii)(A) of this Section 6) and (y) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(C) To the extent required by SEC policies and procedures, prior to effectiveness of the Exchange Offer Registration Statement, the Issuer and the Guarantors shall provide a supplemental letter to the SEC (1) stating that the Issuer and the Guarantors are registering the Exchange Offer in reliance on the position of the SEC enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the SEC's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (a)(iii)(A) of this Section 6, (2) including a representation that neither the Issuer nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Series B Notes to be received in the Exchange Offer and that, to the best of the Issuer's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Notes received in the Exchange Offer and (3) any other undertaking or representation required by the SEC as set forth in any no-action letter obtained pursuant to clause (a)(iii)(A) of this Section 6, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Issuer and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) and use all commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Issuer pursuant to Section 4(b)), and pursuant thereto the Issuer and the Guarantors shall prepare and file with the SEC a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof; and

(ii) issue, upon the request of any Holder or purchaser of Series A Notes covered by any Shelf Registration Statement contemplated by this Agreement, Series B Notes having an aggregate principal amount equal to the aggregate principal amount of Series A Notes sold pursuant to the Shelf Registration Statement and surrendered to the Issuer for cancellation; the Issuer shall register the Series B Notes on the Shelf Registration Statement for this purpose and issue the Series B Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Issuer and the Guarantors shall:

(i) use all commercially reasonable efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Sections 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading (in the case of the Prospectus or any supplement thereto, in the circumstances in which they were made) or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Issuer and the Guarantors shall file promptly an appropriate amendment to such Registration Statement or a supplement to the relevant Prospectus curing such defect, and, if SEC review is required, use all commercially reasonable efforts to cause such amendment to be declared effective as soon as practicable;

(ii) prepare and file with the SEC such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the period specified in Sections 3 or 4 of this Agreement, as applicable; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A, 430B and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise the Initial Purchaser and, with respect to a Shelf Registration Statement, the underwriter(s), if any, and the selling Holders and, if requested by such Persons, to confirm such advice in writing (which notice shall not contain any material non-public information, unless such Holder agrees to keep such information confidential) (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the SEC for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, or (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the SEC shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Issuer and the Guarantors shall use all commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(c)(v), if any fact or event contemplated by Section 6(c)(iii)(D) shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) furnish to (A) the Initial Purchaser, in connection with the Exchange Offer, before filing with the SEC, copies of any Exchange Offer Registration Statement or any Prospectus included therein, which documents shall be subject to the review and comment of the Initial Purchaser for a period of at least three Business Days (unless the Initial Purchaser shall consent to a shorter period), and the Issuer shall not file any such Exchange Offer Registration Statement or Prospectus (other than documents incorporated by reference) to which the Initial Purchaser shall reasonably object within three Business Days after the Initial Purchaser's receipt thereof (unless the Initial Purchaser has consented to a shorter period); and (B) with respect to a Shelf Registration Statement, the Initial Purchaser and each Holder named in such Shelf Registration Statement, in connection with such exchange or sale, if any, before filing with the SEC, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus other than documents incorporated by reference after the initial filing of such Registration Statement, which documents shall be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Issuer shall not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus other than documents incorporated by reference to which such Holders shall reasonably object within five Business Days after such Holders' receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) in connection with any underwritten offering, make available, during reasonable business hours, for inspection by each Holder who would be an “underwriter” as a result of either (A) the sale by such Holder of Series A Notes covered by such Shelf Registration Statement or (B) the sale during the period referred to in Section 3(c) and any attorney or accountant retained by any such Person (collectively, the “Inspectors”), all financial and other records, pertinent corporate documents of the Issuer and the Guarantors (collectively, “Records”) as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the Issuer’s and the Guarantors’ officers, directors and employees to supply all information in each case reasonably requested by any such Inspector, in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness. Records which the Issuer determines, in good faith, to be confidential and any Records which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (X) the disclosure of such Records is necessary to avoid or correct a material misstatement or omission in such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness, (Y) the release of such Records is required by applicable law or SEC policy or ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (Z) the information in such Records has been generally available to the public. Each selling Holder of such Transfer Restricted Securities and each such Broker-Dealer will be required to agree that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in securities unless and until such is made generally available to the public. Each selling Holder of such Transfer Restricted Securities and each such Broker-Dealer will be required to further agree that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Issuer and allow the Issuer at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(vii) if requested by any Holders in connection with such exchange or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the “Plan of Distribution” of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Issuer is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(viii) furnish to each Holder in connection with such exchange or sale without charge, at least one copy of the Registration Statement, as first filed with the SEC, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits, including exhibits incorporated therein by reference, if so requested by such Holder;



(ix) deliver to each Holder without charge, as many copies of the Prospectus (including any preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Issuer and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided, however*, that neither the Issuer nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xi) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, (A) cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends and (B) register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xii) use all commercially reasonable efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (x) of this Section 6(c);

(xiii) pursuant to the terms of the Indenture, issue, upon the request of any Holder of Series A Notes covered by the Shelf Registration Statement, Series B Notes, having an aggregate principal amount equal to the aggregate principal amount of Series A Notes surrendered to the Issuer by such Holder in exchange therefor or being sold by such Holder; such Series B Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Series B Notes, as the case may be; in return, the Series A Notes held by such Holder shall be surrendered to the Issuer for cancellation;

(xiv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xv) cooperate and assist in any filings required to be made with the Financial Industry Regulatory Authority, Inc. (“FINRA”) and in the performance of any due diligence investigation by any underwriter (including any “qualified independent underwriter”) that is required to be retained in accordance with the rules and regulations of the FINRA;

(xvi) otherwise use all commercially reasonable efforts to comply with all applicable rules and regulations of the SEC, and make generally available to the Holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement contemplated or required by this Agreement, as applicable, and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use all commercially reasonable efforts to cause the Trustee to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the SEC to enable such Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the SEC pursuant to the requirements of Sections 13 or 15(d) of the Exchange Act.

(d) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii)(C) or any notice from the Issuer of the existence of any fact of the kind described in Section 6(c)(iii)(D) (in each case, a “Suspension Notice”), such Holder shall forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv), or (ii) such Holder is advised in writing by the Issuer that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the “Recommencement Date”). Each Holder receiving a Suspension Notice hereby agrees that it shall either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder’s possession which have been replaced by the Issuer with more recently dated Prospectuses or (ii) deliver to the Issuer (at the Issuer’s expense) all copies, other than permanent file copies, then in such Holder’s possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Sections 3 or 4 herein, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the Recommencement Date.

(e) Participation in Underwritten Registration. In the event of an offer and sale of Transfer Restricted Securities pursuant to an underwriting agreement and Registration Statement contemplated by this Agreement, no Holder may participate in such offer and sale unless such Holder (i) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in the underwriting arrangements approved by the Persons entitled to approve such arrangements and (ii) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents reasonably required under the terms of the underwriting arrangements.

## **SECTION 7. REGISTRATION EXPENSES**

(a) All expenses incident to the Issuer's and the Guarantors' performance of or compliance with this Agreement shall be borne by the Issuer and the Guarantors, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery service; (iv) all fees and disbursements of counsel for the Issuer and the Guarantors; (v) all application and filing fees in connection with listing the Series B Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Issuer and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Issuer (or the Issuer and the Guarantors) shall, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of their officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuer or the Guarantors.

## **SECTION 8. INDEMNIFICATION**

(a) The Issuer and the Guarantors, jointly and severally, agree to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities and judgments (including without limitation, any reasonable legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus, Prospectus, (or any amendment or supplement thereto) or any "issuer information" (as defined in Rule 433 of the Act) provided by the Issuer to any Holder or any prospective purchaser of Series B Notes or registered Series A Notes, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by, arise out of, or are based on an untrue statement or omission or alleged untrue statement or omission (i) made in reliance upon and in conformity with written information furnished to the Issuer or Guarantors by or on behalf of such Holder or any underwriter with respect to such Holder, expressly for use in the Registration Statement (or any amendment or supplement thereto) or any Prospectus (or any amendment or supplement thereto) or (ii) contained in any preliminary prospectus if such Holder or such underwriter failed to send or deliver a copy of the Prospectus (in the form it was first provided to such parties for confirmation of sales) to the person asserting such losses, claims, damages or liabilities on or prior to the delivery of such written confirmation of any sale of securities covered thereby to such party in any case where the Issuer shall have previously furnished copies thereof to such Holder or such underwriter, as the case may be, in accordance with this Agreement, at or prior to the written confirmation of the sale of such securities to such party and the untrue statement contained in or the omission from the preliminary prospectus was corrected in the Prospectus (or any amendment or supplement thereto). Any amounts advanced by the Issuer to an indemnified party pursuant to this Section 8 as a result of such losses shall be returned to the Issuer if it shall be finally determined by a court of competent jurisdiction in a judgment not subject to appeal or final review that such indemnified party was not entitled to indemnification by the Issuer.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Issuer and the Guarantors, and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Issuer, or the Guarantors to the same extent as the foregoing indemnity from the Issuer and the Guarantors set forth in Section 8(a), but only with respect to information relating to such Holder furnished in writing to the Issuer by or on behalf of such Holder expressly for use in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto). In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the total amount received by such Holder with respect to its sale of Transfer Restricted Securities giving rise to the indemnification obligation.

(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the “Indemnified Party”), the Indemnified Party shall promptly notify the person against whom such indemnity may be sought (the “Indemnifying Party”) in writing, but the omission so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party to the extent the Indemnifying Party is not materially prejudiced as a proximate result of such failure and shall not in any event relieve the Indemnifying Party from any liability that it may have otherwise than on account of this indemnity agreement, and the Indemnifying Party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any Indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (i) the employment of such counsel shall have been specifically authorized in writing by the Indemnifying Party and the Indemnifying Party has agreed in writing to pay the fees and expenses of such counsel, (ii) the Indemnifying Party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the Indemnified Party or (iii) the named parties to any such action (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume the defense of such action on behalf of the Indemnified Party). In any such case, the Indemnifying Party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all Indemnified Parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Issuer, in the case of parties indemnified pursuant to Section 8(b). The Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than twenty Business Days after the Indemnifying Party shall have received a request from the Indemnified Party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the Indemnifying Party) and, prior to the date of such settlement, the Indemnifying Party shall have failed to comply with such reimbursement request. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the Indemnified Party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the Indemnified Party, unless such settlement, compromise or judgment (i) includes an unconditional release of the Indemnified Party from all liability on claims arising out of such action and (ii) does not include a statement as to an admission of fault, culpability or a failure to act, by or on behalf of the Indemnified Party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an Indemnified Party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer and the Guarantors, on the one hand, and the Holders, on the other hand or (ii) if the allocation provided by Section 8(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in Section 8(d)(i) but also the relative fault of the Issuer and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Issuer and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Issuer, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total discount received by such Holder with respect to the Series A Notes exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint. No party shall be liable for contribution with respect to any action or claim settled without its prior written consent; *provided, however*, that such written consent was not unreasonably withheld.

#### **SECTION 9. RULE 144A AND RULE 144**

The Issuer and the Guarantors agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Issuer or the Guarantors (i) are not subject to Section 13 or 15(d) of the Exchange Act, to make available upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A; and (ii) are subject to Section 13 or 15(d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

## SECTION 10. JOINDER OF FUTURE GUARANTORS

In order to facilitate the purposes of this Agreement, the Issuer and Guarantors agree that, if at any time prior to the termination of this Agreement, Issuer or any Guarantor (as defined in the Indenture) creates or acquires any subsidiary that is required by the Indenture to become a Guarantor thereunder, they shall cause such subsidiary to execute a joinder to, and thereby become a party to and Guarantor under, this Agreement.

## SECTION 11. MISCELLANEOUS

(a) Remedies. The Issuer and the Guarantors acknowledge and agree that any failure by the Issuer and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 may result in material irreparable injury to the Initial Purchaser or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchaser or any Holder may obtain such relief as may be required to specifically enforce the Issuer's and the Guarantors' obligations under Sections 3 and 4. The Issuer and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) Free Writing Prospectus. The Issuer and the Guarantors represent, warrant and covenant that they (including their agents and representatives) will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) in connection with the issuance and sale of the Series A Notes and the Series B Notes, other than (i) any communication pursuant to Rule 134, Rule 135 or Rule 135c under the Securities Act, (ii) any document constituting an offer to sell or solicitation of an offer to buy the Series A Notes and the Series B Notes that falls within the exception from the definition of prospectus in Section 2(a)(10)(a) of the Securities Act or (iii) a prospectus satisfying the requirements of section 10(a) of the Act or of Rule 430, Rule 430A, Rule 430B, Rule 430C or Rule 431 under the Act.

(c) No Inconsistent Agreements. Neither the Issuer nor the Guarantors shall, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions of this Agreement. Neither the Issuer nor any Guarantor is a party to any agreement granting any registration rights with respect to its securities to any Person, other than agreements to which Jefferies & Company, Inc. is a party as an initial purchaser. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuer's and the Guarantors' securities under any agreement in effect on the date hereof.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions of this Agreement may not be given unless (i) in the case of Section 5 and this Section 11(d)(i), the Issuer has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions of this Agreement, the Issuer has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Issuer or its Affiliates). Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), fax, telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture.

(ii) if to the Initial Purchaser:

Jefferies & Company, Inc.  
520 Madison Avenue  
New York, New York 10022  
Attention: General Counsel  
Fax: (212) 284-2280

with a copy to:

Latham & Watkins LLP  
355 South Grand Avenue  
Los Angeles, California 90071  
Attn: Cynthia A. Rotell  
Fax: (213) 891-8763

(iii) if to the Issuer or any Guarantor:

Vector Group Ltd.  
100 S. E. 2<sup>nd</sup> Street, 32<sup>nd</sup> Floor  
Miami, Florida 33131  
Attention: Marc N. Bell, Esq.  
Fax: (305) 579-8016

with a copy to the following:

O'Melveny & Myers LLP  
400 South Hope Street  
Los Angeles, CA 90071  
Attention: Eric R. Reimer and John-Paul Motley  
Fax: (213) 430-6407

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if sent by fax, and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Any party, by notice to the other parties may designate additional or different addresses for notices hereunder.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; *provided, however*, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) Counterparts. This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

(h) Headings; Section References. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of this Agreement. Unless otherwise indicated, references in this agreement to Sections are to the sections of this Agreement.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.



(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Issuer and the Guarantors, on the one hand, and the Initial Purchaser, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(l) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

*(signature pages follow)*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

Issuer:

**VECTOR GROUP LTD.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President, Chief Financial Officer and Treasurer

**Guarantors:**

**VGR HOLDING LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President, General Counsel and Secretary

**LIGGETT GROUP LLC**

By: /s/ Ronald J. Bernstein  
Name: Ronald J. Bernstein  
Title: Manager, President and Chief Executive Officer

**LIGGETT VECTOR BRANDS LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President and General Counsel

(Signature Page to Registration Rights Agreement)

**VECTOR RESEARCH LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President, Treasurer and Chief Financial Officer

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**VECTOR TOBACCO INC.**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President of Finance, Treasurer and Chief Financial Officer

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**LIGGETT & MYERS HOLDINGS INC.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Treasurer

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**100 MAPLE LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Secretary

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**V.T. AVIATION LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President of Finance, Treasurer and Chief Financial Officer

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(Signature Page to Registration Rights Agreement)

**VGR AVIATION LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Vice President of Finance, Treasurer and Chief Financial Officer

**EVE HOLDINGS INC.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President and Treasurer

**ACCOMMODATIONS ACQUISITION CORPORATION**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President and Treasurer

(Signature Page to Registration Rights Agreement)

Accepted and Agreed to:

**JEFFERIES & COMPANY, INC.**

By: /s/ Brenton Greer  
Name: Brenton Greer  
Title: Managing Director

(Signature Page to Registration Rights Agreement)

**PLEDGE AGREEMENT**

DATED FEBRUARY 12, 2013

between

**VGR HOLDING LLC**

and

**U.S. BANK NATIONAL ASSOCIATION**

as Collateral Agent

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## CONTENTS

Clause		Page
1.	INTERPRETATION	1
	1.1	Definitions
	1.2	Construction
2.	SECURED LIABILITIES	3
	2.1	Secured Liabilities
	2.2	Specification of Secured Liabilities
3.	CREATION OF PLEDGE AND SECURITY	4
	3.1	Security interest
	3.2	General
4.	PERFECTION AND FURTHER ASSURANCES	5
	4.1	General perfection
	4.2	Delivery of certificates
	4.3	Filing of financing statements
	4.4	Communication with Issuers
	4.5	Further assurances
5.	REPRESENTATIONS AND WARRANTIES	7
	5.1	Representations and warranties
	5.2	The Pledgor
	5.3	The Pledged Collateral
	5.4	No liability
	5.5	Consideration and solvency
	5.6	Times for making representations and warranties
6.	UNDERTAKINGS	10
	6.1	Undertakings
	6.2	The Pledgor
	6.3	The Pledged Collateral
	6.4	Notices
7.	WHEN SECURITY BECOMES ENFORCEABLE	12
8.	ENFORCEMENT OF SECURITY	12

8.1	Events of Default	13
8.2	General	13
8.3	Dividend and voting rights	14
8.4	Collateral Agent's rights upon default	15
8.5	No Marshaling	16
9.	APPLICATION OF PROCEEDS	16
10.	EXPENSES AND INDEMNITY	16
11.	EVIDENCE AND CALCULATIONS	17
12.	CHANGES TO THE PARTIES	18
12.1	Pledgor	18
12.2	Collateral Agent	18
12.3	Successors and assigns	18
13.	MISCELLANEOUS	18
13.1	Amendments and waivers	18
13.2	Waivers and remedies cumulative	18
13.3	Counterparts	18
14.	SEVERABILITY	18
15.	RELEASE	19
16.	NOTICES	19
16.1	Notices	19
16.2	Contact Details	19
16.3	Effectiveness	19
17.	GOVERNING LAW	20
18.	ENFORCEMENT	20
18.1	Jurisdiction	20
18.2	Service of process	21
18.3	Complete agreement	21
18.4	Waiver of Jury Trial	21

**SCHEDULE 1: Pledged Equity Interests**

**SIGNATORIES**



THIS AGREEMENT (this **Agreement**) is dated February 12, 2013

**BETWEEN:**

1. **VGR HOLDING LLC**, a Delaware limited liability company, as pledgor (the **Pledgor**); and
2. **U.S. BANK NATIONAL ASSOCIATION**, as collateral agent for the Noteholders under the Indenture described below (in this capacity, the **Collateral Agent**).

**BACKGROUND:**

The Pledgor enters into this Agreement in connection with the Indenture dated February 12, 2013 (the **Indenture**) by and among Vector Group Ltd. (**Vector Group**), the Guarantors party thereto and U.S. Bank National Association, as the trustee (the **Trustee**) under the Indenture. Pursuant to the Indenture, Vector Group is issuing Notes and Pledgor is guaranteeing the Notes as provided in the Indenture. Pledgor now wishes to secure its obligations under the Indenture by entering into this Agreement.

**IT IS AGREED** as follows:

**1. INTERPRETATION**

**1.1 Definitions**

In this Agreement:

**Event of Default** means an event specified as such in Clause 8.1 (Events of Default).

**Finance Documents** means the Indenture, all Notes issued from time to time under the Indenture, the Purchase Agreement, the Registration Rights Agreement, this Agreement and all other pledges, security agreements, control agreements and all other agreements and documents entered into the connection with the transactions contemplated by the Indenture.

**Guarantors** means the Pledgor and the other guarantors under the Indenture.

**Issuer** means each of Liggett Group and Vector Tobacco.

**Lien** means any security interest, lien, mortgage, pledge, encumbrance, charge, assignment, hypothecation, adverse claim, claim, or restriction on assignment, transfer or pledge or any other arrangement having the effect of conferring security.

**Liggett Group** means Liggett Group LLC, a Delaware limited liability company.

**Note** means any note issued from time to time under the Indenture, including any exchange note.

**Noteholder** means any person which from time to time is the holder of a Note.

**Obligors** means Vector Group, the Pledgor and the other Guarantors.

**Person** means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, government or any department or agency thereof or any entity similar to any of the foregoing.

**Pledged Collateral** means:

- (a) the Pledged Equity Interests;
- (b) all additional shares, securities, and interests in either Issuer, and all warrants, rights, and options to purchase or receive shares, securities, or interests in either Issuer, in which the Pledgor at any time has or obtains any interest; and
- (c) all dividends, interest, revenues, income, distributions, and proceeds of any kind, whether cash, instruments, securities, or other property, received by or distributable to the Pledgor in respect of, or in exchange for, the Pledged Equity Interests or any other Pledged Collateral.

**Pledged Equity Interests** means all equity interests in the Issuers, which equity interests are described in Schedule I (Pledged Equity Interests) to this Agreement.

**Secured Liabilities** means each liability and obligation specified in Clause 2 (Secured Liabilities).

**Security** means any security interest created by this Agreement.

**Security Period** means the period beginning on the date of this Agreement and ending on the date on which all the Secured Liabilities have been indefeasibly, unconditionally and irrevocably paid and discharged in full. The Security Period will be extended to take into account any extension or reinstatement of this Agreement under Clause 3.2(b) (General). Furthermore, if the Noteholders holding a majority in aggregate principal amount of the then outstanding Notes consider that an amount paid to the Collateral Agent or a Noteholder under a Finance Document is capable of being avoided or otherwise set aside on the bankruptcy, liquidation, insolvency or administration of the payer or otherwise then that amount will not be considered to have been irrevocably paid for the purposes of this Agreement.

**UCC** means the Uniform Commercial Code as in effect from time to time in the State of New York.

**Vector Tobacco** means Vector Tobacco Inc., a Virginia corporation.

## 1.2 Construction

- (a) Any term defined in the UCC and not defined in this Agreement has the meaning given to that term in the UCC.

- (b) Any term defined in the Indenture and not defined in this Agreement or the UCC has the meaning given to that term in the Indenture.
- (c) No reference to **proceeds** in this Agreement authorizes any sale, transfer or other disposition of Collateral by the Pledgor.
- (d) In this Agreement, unless the contrary intention appears, a reference to:
  - (i) an **amendment** includes a supplement, novation, restatement or re-enactment and **amended** will be construed accordingly;
  - (ii) Clause, a Subclause or a Schedule is a reference to a Clause or Subclause of, or a Schedule to, this Agreement;
  - (iii) a law is a reference to that law as amended or re-enacted and to any successor law;
  - (iv) an agreement is a reference to that agreement as amended;
  - (v) **fraudulent transfer law** means any applicable U.S. Bankruptcy Law or state fraudulent transfer or conveyance statute, and the related case law;
  - (vi) **law** includes any law, statute, regulation, regulatory requirement, rule, ordinance, ruling, decision, treaty, directive, order, guideline, regulation, policy, writ, judgment, injunction or request of any court or other governmental, inter-governmental or supranational body, officer or official, fiscal or monetary authority, or other ministry or public entity (and their interpretation, administration and application), whether or not having the force of law; and
- (e) In this Agreement:
  - (i) **includes** and **including** are not limiting;
  - (ii) **or** is not exclusive; and
  - (iii) the headings are for convenience only, do not constitute part of this Agreement and are not to be used in construing it.

## 2. SECURED LIABILITIES

### 2.1 Secured Liabilities

Each obligation and liability whether:

- (a) present or future, actual, contingent or unliquidated; or
- (b) owed jointly or severally (or in any other capacity whatsoever),

of the Pledgor to any Noteholder under or in connection with each Finance Document is a Secured Liability.

## **2.2 Specification of Secured Liabilities**

The Secured Liabilities include any liability or obligation for:

- (a) repayment of the principal of any Note;
- (b) payment of interest and any other amount payable under the Finance Documents;
- (c) payment and performance of all other obligations and liabilities of any Obligor under the Finance Documents;
- (d) payment of any amount owed under any amendment, modification, renewal, extension or novation of any of the above obligations; and
- (e) payment of an amount which arises after a petition is filed by, or against, any Obligor under the US Bankruptcy Code of 1978 even if the obligations do not accrue because of the automatic stay under Section 362 of the US Bankruptcy Code of 1978 or otherwise.

## **3. CREATION OF PLEDGE AND SECURITY**

### **3.1 Security interest**

As security for the prompt and complete payment and performance of the Secured Liabilities when due (whether due because of stated maturity, acceleration, mandatory prepayment, or otherwise) and to induce the Noteholders to purchase the Notes, the Pledgor pledges to the Collateral Agent for the benefit of the Noteholders, and grants to the Collateral Agent for the benefit of the Noteholders a continuing security interest in, the Pledged Collateral.

### **3.2 General**

- (a) All the Security created under this Agreement:
  - (i) is continuing security for the irrevocable and indefeasible payment in full of the Secured Liabilities, regardless of any intermediate payment or discharge in whole or in part;
  - (ii) is in addition to, and not in any way prejudiced by, any other security now or subsequently held by the Collateral Agent.

- (b) If, at any time for any reason (including the bankruptcy, insolvency, receivership, reorganization, dissolution or liquidation of any Obligor or the appointment of any receiver, intervenor or conservator of, or agent or similar official for, any Obligor or any of their respective properties), any payment received by the Collateral Agent or any Noteholder in respect of the Secured Liabilities is rescinded or avoided or must otherwise be restored or returned by the Collateral Agent or any Noteholder, that payment will not be considered to have been made for purposes of this Agreement, and this Agreement will continue to be effective or will be reinstated, if necessary, as if that payment had not been made.
- (c) This Agreement is enforceable against the Pledgor to the maximum extent permitted by the fraudulent transfer laws.

#### **4. PERFECTION AND FURTHER ASSURANCES**

##### **4.1 General perfection**

The Pledgor must take, at its own expense, promptly, and in any event within any applicable time limit:

- (a) whatever action is necessary or reasonably desirable; and
- (b) any action which the Collateral Agent may reasonably require,

to ensure that this Security is as of the date of this Agreement, and will continue to be until the end of the Security Period, a validly created, attached, enforceable and perfected first priority continuing security interest in the Pledged Collateral, in all relevant jurisdictions, securing payment and performance of the Secured Liabilities.

This includes the giving of any notice, order or direction, the making of any filing or registration, the passing of any resolution and the execution and delivery of any documents or agreements which the Collateral Agent may require.

##### **4.2 Delivery of certificates**

- (a) The Pledgor represents and warrants that it has delivered to the Collateral Agent (or as directed by the Collateral Agent) in the State of New York all original certificates and instruments evidencing or representing the Pledged Equity Interests existing on the date of this Agreement.
- (b) The Pledgor must deliver to the Collateral Agent (or as directed by the Collateral Agent) in the State of New York, promptly upon receipt, all original certificates and instruments evidencing or representing any Pledged Collateral arising or acquired by the Pledgor after the date of this Agreement.
- (c) All Pledged Collateral delivered under this Agreement will be either:
  - (i) duly endorsed and in suitable form for transfer by delivery; or
  - (ii) accompanied by undated instruments of transfer endorsed in blank, as directed by the Collateral Agent, and in form and substance reasonably satisfactory to the Collateral Agent.

- (d) Until the end of the Security Period, the Collateral Agent will hold (directly or through an agent) all certificates, instruments, and stock powers delivered to it.
- (e) At any time and from time to time, the Collateral Agent will have the right to exchange certificates or instruments evidencing or representing Pledged Collateral for certificates or instruments of smaller or larger denominations.

#### **4.3 Filing of financing statements**

- (a) The Pledgor authorizes the Collateral Agent to prepare and file, at the Pledgor's expense:
  - (i) financing statements describing the Pledged Collateral;
  - (ii) continuation statements; and
  - (iii) any amendment in respect of those statements.
- (b) Promptly after filing an initial financing statement in respect of the Pledged Collateral, the Pledgor must provide the Collateral Agent with an official report from the Secretary of State of the State of Delaware indicating that the Collateral Agent's security interest in the Pledged Collateral is prior to all other security interests or other interests reflected in the report.

#### **4.4 Communication with Issuers**

The Pledgor authorizes the Collateral Agent at any time and from time to time to communicate with the Issuers with regard to any matter relating to any Pledged Collateral.

#### **4.5 Further assurances**

- (a) The Pledgor must take, at its own expense, promptly, and in any event within any applicable time limit, whatever action may reasonably be required under the Indenture or this Agreement for:
  - (i) creating, attaching, perfecting and protecting, and maintaining the priority of, any security interest intended to be created by this Agreement;
  - (ii) facilitating the enforcement of this Security or the exercise of any right, power or discretion exercisable by the Collateral Agent or any of its delegates or sub-delegates in respect of any of the Pledged Collateral;
  - (iii) obtaining possession and control of any Pledged Collateral; and
  - (iv) facilitating the assignment or transfer of any rights and/or obligations of the Collateral Agent or any Noteholder under this Agreement.

This includes the execution and delivery of any transfer, assignment or other agreement or document, whether to the Collateral Agent or its nominee, which the Collateral Agent may require.

- (b) The Pledgor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as the Pledgor's true and lawful attorney-in-fact, in the Pledgor's name or in the Collateral Agent's name or otherwise, and at the Pledgor's expense, to take any of the actions referred to in paragraph (a) above without notice to or the consent of the Pledgor. This power of attorney is a power coupled with an interest and cannot be revoked. The Pledgor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.

## **5. REPRESENTATIONS AND WARRANTIES**

### **5.1 Representations and warranties**

The representations and warranties set out in this Clause are made by the Pledgor to the Collateral Agent and each Noteholder.

### **5.2 The Pledgor**

- (a) It is organized under the laws of the State of Delaware.
- (b) Its exact legal name, as it appears in the public records of its jurisdiction of incorporation or organization, is VGR Holding LLC. It has not changed its name, whether by amendment of its organizational documents, reorganization, merger or otherwise, since its date of formation, December 7, 2005.
- (c) Its organizational identification number, as issued by its jurisdiction of organization is 3097262.
- (d) It keeps at its address indicated in Clause 17 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Pledged Collateral, except for the Pledged Collateral delivered to the Collateral Agent in compliance with Clause 4.2 (Delivery of certificates).

### **5.3 The Pledged Collateral**

- (a) Liggett Group keeps at its address at 100 Maple Lane, Mebane, North Carolina 27302 and Vector Tobacco keeps at its address at 3800 Paramount Parkway, Suite 250, PO Box 2010, Morrisville, NC 27560 its corporate records, stock ledger and all records, documents and instruments relating to or evidencing the Pledged Collateral.
- (b) The Pledged Equity Interests have been duly authorized and are validly issued, fully-paid and non-assessable.

- (c) The Pledged Equity Interests constitute all of the issued and outstanding equity or ownership interests in the Issuers, and there are no other equity or ownership interests in the Issuers, options or rights to acquire or subscribe for any such interests, or securities or instruments convertible into or exchangeable or exercisable for any such interests.
- (d) The Pledged Equity Interests are “securities” under Article 8 of the UCC and are represented by certificates, all of which have been delivered to the Collateral Agent.
- (e) Except as permitted under the Indenture:
  - (i) it is the sole legal and beneficial owner of, and has the power to transfer and grant a security interest in the Pledged Equity Interests and all other Pledged Collateral now in existence;
  - (ii) none of the Pledged Collateral is subject to any Lien other than the Collateral Agent’s security interest;
  - (iii) it has not agreed or committed to sell, assign, pledge, transfer, license, lease or encumber any of the Pledged Collateral, or granted any option, warrant, or right with respect to any of the Pledged Collateral; and
  - (iv) no effective mortgage, deed of trust, financing statement, security agreement or other instrument similar in effect is on file or of record with respect to any Pledged Collateral, except for those that create, perfect or evidence the Collateral Agent’s security interest.
- (f) No litigation, arbitration or administrative proceedings are current or pending or, to its knowledge, threatened, involving or affecting the Pledged Collateral, and none of the Pledged Collateral is subject to any order, writ, injunction, execution or attachment.
- (g) None of the Pledged Collateral constitutes “margin stock” within the meaning of Regulation U or X issued by the Board of Governors of the United States Federal Reserve System.

**5.4 No liability**

- (a) Its rights, interests, liabilities and obligations under contractual obligations that constitute part of the Pledged Collateral are not affected by this Agreement or the exercise by the Collateral Agent of its rights under this Agreement;
- (b) neither the Collateral Agent nor any Noteholder, unless it expressly agrees in writing, will have any liabilities or obligations under any contractual obligation that constitutes part of the Pledged Collateral as a result of this Agreement, the exercise by the Collateral Agent of its rights under this Agreement or otherwise; and



- (c) neither the Collateral Agent nor any Noteholder has or will have any obligation to collect upon or enforce any contractual obligation or claim that constitutes part of the Pledged Collateral, or to take any other action with respect to the Pledged Collateral.

#### **5.5 Consideration and solvency**

- (a) Terms used in this Subclause have the meanings given to them in, and must be construed in accordance with, the fraudulent transfer laws.
- (b) It will receive valuable direct and indirect benefits as a result of the transactions financed by the issuance of the Notes and these benefits constitute “reasonably equivalent value” and “fair consideration” as those terms are used in the fraudulent transfer laws.
- (c) To the best of its knowledge, the Collateral Agent and the Noteholders have acted in good faith in connection with the transactions contemplated by this Agreement.
- (d) The sum of its debts (including its obligations under this Agreement) is less than the value of its property (calculated at the lesser of fair valuation and present fair saleable value).
- (e) Its capital is not unreasonably small to conduct its business as currently conducted or as proposed to be conducted.
- (f) It has not incurred, does not intend to incur and does not believe it will incur debts beyond its ability to pay as they mature.
- (g) It has not made a transfer or incurred an obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors.

#### **5.6 Times for making representations and warranties**

- (a) The representations and warranties set out in this Agreement (including in this Clause) are made on the date of this Agreement.
- (b) Unless a representation and warranty is expressed to be given at a specific date, all representations and warranties under this Agreement are deemed to be repeated by the Pledgor on the date of each issuance of Notes with reference to the facts and circumstances then existing.
- (c) When representations and warranties are repeated, they are applied to the circumstances existing at the time of repetition.
- (d) The representations and warranties of the Pledgor contained in this Agreement or made by the Pledgor in any certificate, notice or report delivered under this Agreement will survive each issuance of Notes and any transfer or assignment of any Note.

## **6. UNDERTAKINGS**

### **6.1 Undertakings**

The Pledgor agrees to be bound by the covenants set out in this Clause.

### **6.2 The Pledgor**

- (a) The Pledgor must preserve its corporate existence and except as permitted by the Indenture will not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets.
- (b) The Pledgor must not change the jurisdiction of its organization without providing the Collateral Agent with at least 30 days' prior written notice.
- (c) The Pledgor must not change its name without providing the Collateral Agent with at least 30 days' prior written notice.
- (d) The Pledgor must keep at its address indicated in Clause 17 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Pledged Collateral, except for the Pledged Collateral delivered to the Collateral Agent in compliance with Clause 4.2 (Delivery of certificates).
- (e) The Pledgor permits the Collateral Agent and its agents and representatives, during normal business hours and upon reasonable notice, to inspect the Pledged Collateral, to examine and make copies of and abstracts from the records referred to in paragraph (d) above, and to discuss matters relating to the Pledged Collateral directly with the Pledgor's officers and employees.
- (f) At the Collateral Agent's request, the Pledgor must provide the Collateral Agent with any information concerning the Collateral that the Collateral Agent may reasonably request.

### **6.3 The Pledged Collateral**

- (a) The Pledgor will cause the Issuers to keep and maintain, at their respective addresses indicated in Clause 5.3(a) (The Pledged Collateral) their respective corporate records and all records, documents and instruments constituting, relating to, or evidencing Pledged Collateral. The Pledgor agrees to cause the Issuers to permit the Collateral Agent and its agents and representatives during normal business hours and upon reasonable notice, to examine and make copies of and abstracts from the records and stock ledgers and to discuss matters relating to the Issuers and its records directly with the Issuers' officers and employees.
- (b) Except as expressly permitted by the Indenture or this Agreement, the Pledgor:

- (i) must maintain sole legal and beneficial ownership of the Pledged Collateral;
  - (ii) must not permit any Pledged Collateral to be subject to any Lien other than the Collateral Agent's security interest and must at all times warrant and defend the Collateral Agent's security interest in the Pledged Collateral against all other Liens and claimants;
  - (iii) must not sell, assign, transfer, pledge, license, lease or encumber, or grant any option, warrant, or right with respect to, any of the Pledged Collateral, or agree or contract to do any of the foregoing;
  - (iv) must not waive, amend or terminate, in whole or in part, any accessory or ancillary right or other right in respect of any Pledged Collateral; and
  - (v) must not take any action which would result in a reduction in the value of any Pledged Collateral.
- (c) The Pledgor must pay when due (and in any case before any penalties are assessed or any Lien is imposed on any Pledged Collateral) all taxes, assessments and charges imposed on or in respect of Pledged Collateral and all claims against the Pledged Collateral.
- (d) In any suit, legal action, arbitration or other proceeding involving the Pledged Collateral or the Collateral Agent's security interest, the Pledgor must take all lawful action to avoid impairment of the Collateral Agent's security interest or the Collateral Agent's rights under this Agreement or the imposition of a Lien (other than Permitted Liens (as defined in the Indenture)) on any of the Pledged Collateral.
- (e) The Pledgor will not permit either Issuer to cancel or change the terms of the Pledged Equity Interests, or authorize, create or issue any additional shares of capital stock or ownership interests in either Issuer; *provided that* the Pledgor may convert Vector Tobacco from a corporation to a limited liability company so long as (1) the Issuer gives the Collateral Agent at least 30 days prior written notice of such conversion, (2) the resulting limited liability company is formed under the laws of a State in the United States, (3) the limited liability company or operating agreement of the resulting limited liability company expressly provides that all equity interests in such resulting limited liability company are "securities" under Article 8 of the UCC and are represented by certificates, (4) contemporaneously with such conversion the Issuer delivers to the Collateral Agent in New York certificates representing all membership or other equity or ownership interests in the converted entity, together with stock powers or the equivalent executed by the Issuer in blank and in form and substance satisfactory to the Collateral Agent, (5) the Issuer agrees, in documentation satisfactory to the Collateral Agent, that such equity interests are subject to the Collateral Agent's security interest and to the terms of this Agreement, (6) an appropriate financing statement or amendment to the existing financing statement is promptly filed in the appropriate office or offices, so as to perfect and/or continue to perfect the Collateral Agent's security interest and (7) the Issuer must have delivered to the Collateral Agent a legal opinion, from outside counsel satisfactory to the Collateral Agent and in form and substance satisfactory to the Collateral Agent, that the Collateral Agent has a perfected first-priority security interest in such new equity interests. The Pledgor will ensure that at all times the operating agreement of Liggett Group provides that all equity interests in Liggett Group are "securities" under Article 8 of the UCC and are represented by certificates. The Pledgor will not effect or permit any change of control of either Issuer.

- (f) The Pledgor will take no action, and will not permit either Issuer to take any action, that could cause any of the Pledged Collateral to constitute “margin stock” within the meaning of Regulation U or X issued by the Board of Governors of the United States Federal Reserve System.

#### **6.4 Notices**

- (a) The Pledgor must give the Collateral Agent prompt notice of the occurrence of any of the following events:
  - (i) any pending or threatened claim, suit, legal action, arbitration or other proceeding involving or affecting the Pledgor, either Issuer or any Pledged Collateral which could reasonably be expected to impair the Collateral Agent’s security interest or, the Collateral Agent’s rights under this Agreement or result in the imposition of a Lien (other than a Permitted Lien (as defined in the Indenture)) on any Pledged Collateral; or
  - (ii) any representation or warranty contained in this Agreement is or becomes untrue, incorrect or incomplete in any material respect.
- (b) Each notice delivered under this Clause, must include:
  - (i) reasonable details about the event; and
  - (ii) the Pledgor’s proposed course of action.

Delivery of a notice under this Clause does not affect the Pledgor’s obligations to comply with any other term of this Agreement.

#### **7. WHEN SECURITY BECOMES ENFORCEABLE**

This Security may be enforced by the Collateral Agent at any time after an Event of Default has occurred.

#### **8. ENFORCEMENT OF SECURITY**

## 8.1 Events of Default

Each of the events set out in this Subclause is an Event of Default.

- (a) The Pledgor does not comply with Clause 6.3(b) (The Pledged Collateral);
- (b) The Pledgor does not comply with any other term of this Agreement unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within 14 days of the Collateral Agent giving notice to the Pledgor;
- (c) a representation or warranty made or repeated in this Agreement is untrue or incorrect in any material aspect when made or deemed to be repeated;
- (d) any attachment, execution or levy is made in respect of any material part of the Pledged Collateral; or
- (e) an “Event of Default” (as that term is defined in the Indenture) occurs.

## 8.2 General

- (a) After this Security has become enforceable, the Collateral Agent may immediately, in its absolute discretion, exercise any right under:
  - (i) applicable law; or
  - (ii) this Agreement,to enforce all or any part of the Security in respect of any Pledged Collateral in any manner or order it sees fit.
- (b) This includes:
  - (i) any rights and remedies available to the Collateral Agent under applicable law and under the UCC (whether or not the UCC applies to the affected Pledged Collateral and regardless of whether or not the UCC is the law of the jurisdiction where the rights or remedies are asserted) as if those rights and remedies were set forth in this Agreement in full;
  - (ii) transferring or assigning to, or registering in the name of, the Collateral Agent or its nominees any of the Pledged Collateral;
  - (iii) exercising any voting, consent, management and other rights relating to any Pledged Collateral;
  - (iv) performing or complying with any contractual obligation that constitutes part of the Pledged Collateral;

- (v) receiving, endorsing, negotiating, executing and delivering or collecting upon any check, draft, note, acceptance, instrument, document, contract, agreement, receipt, release, bill of lading, invoice, endorsement, assignment, bill of sale, deed, security, share certificate, stock power, proxy, or instrument of conveyance or transfer constituting or relating to any Pledged Collateral;
- (vi) asserting, instituting, filing, defending, settling, compromising, adjusting, discounting or releasing any suit, action, claim, counterclaim, right of set-off or other right or interest relating to any Pledged Collateral;
- (vii) executing and delivering acquittances, receipts and releases in respect of Pledged Collateral; and
- (viii) exercising any other right or remedy available to the Collateral Agent under the other Finance Documents or any other agreement between the parties.

### **8.3 Dividend and voting rights**

- (a) So long as payment of the Secured Liabilities has not been accelerated (whether automatically or otherwise), the Pledgor will be entitled to exercise all voting and other consensual rights with respect to the Pledged Collateral for any purpose not inconsistent with the terms of the Finance Documents and to receive and retain all dividends and other payments in respect of the Pledged Collateral to the extent permitted by the Finance Documents.
- (b) Upon the acceleration of the payment of the Secured Liabilities (whether automatically or otherwise), all rights of the Pledgor to exercise voting and other consensual rights with respect to the Pledged Collateral and to receive dividends and other payments in respect of the Pledged Collateral will cease, and all these rights will immediately become vested solely in the Collateral Agent or its nominees, and the Pledgor grants the Collateral Agent or its nominees the Pledgor's irrevocable and unconditional proxy for this purpose. After the acceleration of the payment of the Secured Liabilities (whether automatically or otherwise), any dividends and other payments in respect of the Pledged Collateral received by the Pledgor will be held in trust for the Collateral Agent, and the Pledgor will keep all such amounts separate and apart from all other funds and property so as to be capable of identification as the property of the Collateral Agent and will deliver these amounts at such time as the Collateral Agent may request to the Collateral Agent in the identical form received, properly endorsed or assigned if required to enable the Collateral Agent to complete collection.

#### 8.4 Collateral Agent's rights upon default

- (a) The Pledgor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as the Pledgor's true and lawful attorney-in-fact, in the Pledgor's name or in the Collateral Agent's name or otherwise, and at the Pledgor's expense, to take any of the actions authorized by this Agreement or permitted under applicable law upon the occurrence and during the continuation of an Event of Default, without notice to or the consent of the Pledgor. This power of attorney is a power coupled with an interest and cannot be revoked. The Pledgor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.
- (b) The Pledgor agrees that 10 days notice shall constitute reasonable notice in connection with any sale, transfer or other disposition of Pledged Collateral.
- (c) The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of Pledged Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of Pledged Collateral.
- (d) The grant to the Collateral Agent under this Agreement of any right, power or remedy does not impose upon the Collateral Agent any duty to exercise that right, power or remedy. The Collateral Agent will have no obligation to take any steps to preserve any claim or other right against any person or with respect to any Pledged Collateral.
- (e) The Pledgor bears the risk of loss, damage, diminution in value, or destruction of the Pledged Collateral.
- (f) The Collateral Agent will have no responsibility for any act or omission of any courier, bailee, broker, bank, investment bank or any other person chosen by it with reasonable care.
- (g) The Collateral Agent makes no express or implied representations or warranties with respect to any Pledged Collateral or other property released to the Pledgor or its successors and assigns.
- (h) The Pledgor agrees that the Collateral Agent will have met its duty of care under applicable law if it holds, maintains and disposes of Pledged Collateral in the same manner that it holds, maintains and disposes of property for its own account.
- (i) Except as set forth in this Clause or as required under applicable law, the Collateral Agent will have no duties or obligations under this Agreement or otherwise with respect to the Pledged Collateral.
- (j) The sale, transfer or other disposition under this Agreement of any right, title, or interest of the Pledgor in any item of Pledged Collateral will:
  - (i) operate to divest the Pledgor permanently and all persons claiming under or through the Pledgor of that right, title, or interest, and
  - (ii) be a perpetual bar, both at law and in equity, to any claims by the Pledgor or any person claiming under or through the Pledgor with respect to that item of Pledged Collateral.

## 8.5 No Marshaling

- (a) The Collateral Agent need not, and the Pledgor irrevocably waives and agrees that it will not invoke or assert any law requiring the Collateral Agent to:
  - (i) attempt to satisfy the Secured Liabilities by collecting them from any other person liable for them; or
  - (ii) marshal any security or guarantee securing payment or performance of the Secured Liabilities or any particular asset of the Pledgor.
- (b) The Collateral Agent may release, modify or waive any collateral or guarantee provided by any other person to secure any of the Secured Liabilities, without affecting the Collateral Agent's rights against the Pledgor.

## 9. APPLICATION OF PROCEEDS

Any moneys received in connection with the Pledged Collateral by the Collateral Agent after this Security has become enforceable must be applied in the following order of priority:

- (a) **first**, in or towards payment of or provision for all costs and expenses incurred by the Collateral Agent in connection with the enforcement of this Security;
- (b) **second**, in or towards payment of, or provision for, the Secured Liabilities; and
- (c) **third**, in payment of the surplus (if any) to the Pledgor or any other Person entitled to it under applicable law.

This Clause is subject to the payment of any claims having priority over this Security under mandatory provisions of applicable law. This Clause does not prejudice the right of any Noteholder to recover any shortfall from the Pledgor.

## 10. EXPENSES AND INDEMNITY

- (a) The Pledgor must pay promptly on demand to the Collateral Agent all costs and expenses incurred by the Collateral Agent, any Noteholder, attorney, manager, delegate, sub-delegate, agent or other Person appointed by the Collateral Agent under this Agreement for the purpose of enforcing its rights under this Agreement. This includes:
  - (i) costs of foreclosure and of any transfer, disposition or sale of Pledged Collateral;
  - (ii) costs of maintaining or preserving the Pledged Collateral or assembling it or preparing it for transfer, disposition or sale;



- (iii) costs of obtaining money damages; and
  - (iv) fees and expenses of attorneys employed by the Collateral Agent for any purpose related to this Agreement or the Secured Liabilities, including consultation, preparation and negotiation of any amendment or restructuring, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.
- (b) The Pledgor must indemnify and keep indemnified the Collateral Agent, the Noteholders and their respective affiliates, directors, officers, representatives and agents from and against all claims, liabilities, obligations, losses, damages, penalties, judgments, costs and expenses of any kind (including attorney's fees and expenses) which may be imposed on, incurred by or asserted against any of them by any Person (including any Noteholder) in any way relating to or arising out of:
- (i) this Agreement;
  - (ii) the Pledged Collateral;
  - (iii) the Collateral Agent's security interest in the Pledged Collateral;
  - (iv) any Event of Default;
  - (v) any action taken or omitted by the Collateral Agent under this Agreement or any exercise or enforcement of rights or remedies under this Agreement; or
  - (vi) any transfer sale or other disposition of or any realization on Pledged Collateral.
- (c) The Pledgor will not be liable to an indemnified party to the extent any liability results from that indemnified party's gross negligence or willful misconduct. Payment by an indemnified party will not be a condition precedent to the obligations of the Pledgor under this indemnity.
- (d) This Clause survives the initial issuance of the Notes, the repayment of the Notes, any novation, transfer or assignment of the Notes and the termination of this Agreement.

## 11. EVIDENCE AND CALCULATIONS

In the absence of manifest error, the records of the Collateral Agent are conclusive evidence of the existence and the amount of the Secured Liabilities.

## **12. CHANGES TO THE PARTIES**

### **12.1 Pledgor**

The Pledgor may not assign, delegate or transfer any of its rights or obligations under this Agreement without the consent of the Collateral Agent, and any purported assignment, delegation or transfer in violation of this provision shall be void and of no effect.

### **12.2 Collateral Agent**

The Collateral Agent may assign or transfer its rights and obligations under this Agreement in the manner permitted under the Indenture.

### **12.3 Successors and assigns**

This Agreement shall be binding on and inure to the benefit of the respective successors and permitted assigns of the Pledgor and the Collateral Agent.

## **13. MISCELLANEOUS**

### **13.1 Amendments and waivers**

Any term of this Agreement may be amended or waived only by the written agreement of the Pledgor and the Collateral Agent.

### **13.2 Waivers and remedies cumulative**

- (a) The rights and remedies of the Collateral Agent under this Agreement:
  - (i) may be exercised as often as necessary;
  - (ii) are cumulative and not exclusive of its rights under applicable law; and
  - (iii) may be waived only in writing and specifically.
- (b) Delay in exercising, or non-exercise, of any right or remedy under this Agreement is not a waiver of that right or remedy.

### **13.3 Counterparts**

This Agreement may be executed in counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

## **14. SEVERABILITY**

If any term of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other term of this Agreement.

**15. RELEASE**

At the end of the Security Period, the Collateral Agent must, at the request and cost of the Pledgor, take whatever action is necessary to release the Pledged Collateral from this Security.

**16. NOTICES**

**16.1 Notices**

Any communication in connection with this Agreement must be given in writing and, unless otherwise stated, must be given in person or by fax.

**16.2 Contact Details**

- (a) The contact details of the Pledgor for this purpose are:
  - Address: 100 S.E. Second Street, 32nd Floor  
Miami, FL 33131
  - Fax: (305) 579-8016
  - Attention: Marc N. Bell
- (b) The contact details of the Collateral Agent for this purpose are:
  - Address: U.S. Bank National Association  
Global Corporate Trust Services  
60 Livingston Avenue  
EP-MN-WS3C  
St. Paul, MN 55107-2292
  - Fax: (651) 466-7430
  - Attention: Joshua A. Hahn
- (c) Either party may change its contact details by giving five Business Days' notice to the other party.
- (d) Where a party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

**16.3 Effectiveness**

- (a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:

- (i) if delivered in person, at the time of delivery;
  - (ii) if by fax, when sent with confirmation of transmission.
- (b) A communication given under this Clause but received on a non-working day or after business hours on a working day in the place of receipt will only be deemed to be given on the next working day in that place.

**17. GOVERNING LAW**

This Agreement, the relationship between the Pledgor, the Collateral Agent and the Noteholders and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any part of the Pledged Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

**18. ENFORCEMENT**

**18.1 Jurisdiction**

- (a) Each of the Parties agrees that any New York State court or Federal court sitting in the City and County of New York has jurisdiction to settle any disputes and any judgment, order or award in connection with this Agreement and accordingly submits to the jurisdiction of those courts.
- (b) Each of the Parties:
  - (i) waives objection to the New York State and Federal courts on grounds of personal jurisdiction, inconvenient forum or otherwise as regards proceedings in connection with this Agreement; and
  - (ii) agrees that a judgment or order of a New York State or Federal court in connection with this Agreement is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.
- (c) Nothing in this Clause limits the right of the Collateral Agent or any Noteholder to bring proceedings against the Pledgor in connection with this Agreement:
  - (i) in any other court of competent jurisdiction; or
  - (ii) concurrently in more than one jurisdiction.

## **18.2 Service of process**

- (a) The Pledgor irrevocably appoints The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 as its agent for service of process in relation to any proceedings before any courts located in the State of New York in connection with this Agreement;
- (b) The Pledgor agrees to maintain an agent for service of process in the State of New York until the end of the Security Period.
- (c) The Pledgor agrees that failure by a process agent to notify the Pledgor of the process will not invalidate the proceedings concerned.
- (d) The Pledgor consents to the service of process relating to any proceedings by a notice given in accordance with Clause 16 (Notices).
- (e) If the appointment of any person mentioned in paragraph (a) above ceases to be effective, the Pledgor must immediately appoint a further person in the State of New York to accept service of process on its behalf in the State of New York and, if the Pledgor does not appoint a process agent within 15 days, the Pledgor authorizes the Collateral Agent to appoint a process agent for the Pledgor.

## **18.3 Complete agreement**

This Agreement and the other Finance Documents contain the complete agreement between the parties on the matters to which they relate and supersede all prior commitments, agreements and understandings, whether written or oral, on those matters.

## **18.4 Waiver of Jury Trial**

THE PLEDGOR AND THE COLLATERAL AGENT (FOR ITSELF AND ON BEHALF OF THE NOTEHOLDERS) WAIVE ANY RIGHTS THEY MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED ON OR ARISING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

The undersigned, intending to be legally bound, have executed and delivered this Agreement on the date stated at the beginning of this Agreement.

**SCHEDULE 1**

**PLEDGED EQUITY INTERESTS**

<b>Name</b>	<b>Certificate No.</b>	<b>No. of Shares/ % of Membership Interests</b>
LIGGETT GROUP LLC	1	100% of membership interests
VECTOR TOBACCO INC.	1	100 shares

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**SIGNATORIES**

**IN WITNESS WHEREOF**, the Pledgor has cause this Pledge Agreement to be executed and delivered by its duly authorized officer as of the day and year first above written.

**Pledgor**

**VGR HOLDING LLC**

By: /s/ J. Bryant Kirkland III

Name: J. Bryant Kirkland III

Title: Vice President, Treasurer and Chief Financial Officer

*(Signature Page to Pledge Agreement)*

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**Collateral Agent**

**U.S. BANK NATIONAL ASSOCIATION**, as Collateral Agent

By: /s/ Joshua A. Hahn

Name: Joshua A. Hahn

Title: Assistant Vice President

*(Signature Page to Pledge Agreement)*

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**SECURITY AGREEMENT**

**DATED FEBRUARY 12, 2013**

**between**

**VECTOR TOBACCO INC.**

**and**

**U.S. BANK NATIONAL ASSOCIATION**

**as Collateral Agent**

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## CONTENTS

Clause		Page
1.	Interpretation	1
2.	Secured liabilities	5
3.	Creation of security	6
4.	Perfection and further assurances	7
5.	Representations and warranties	9
6.	Undertakings	12
7.	When security becomes enforceable	16
8.	Enforcement of security	16
9.	Application of proceeds	19
10.	Expenses and indemnity	20
11.	Evidence and calculations	21
12.	Changes to the parties	21
13.	Miscellaneous	21
14.	Severability	22
15.	Release	22
16.	Notices	22
17.	Governing law	23
18.	Enforcement	23
	<b>SCHEDULE 1 COMMERCIAL TORT CLAIMS</b>	26
	<b>SCHEDULE 2 INTELLECTUAL PROPERTY</b>	27
	<b>SIGNATORIES</b>	30
	EXHIBIT 1 Form of Patent Security Agreement	32
	EXHIBIT 2 Form of Trademark Security Agreement	43
	EXHIBIT 3 Form of Copyright Security Agreement	53

THIS AGREEMENT is dated February 12, 2013

**BETWEEN:**

- (1) **VECTOR TOBACCO INC.**, a Virginia corporation, as grantor (the **Grantor**); and
- (2) **U.S. BANK NATIONAL ASSOCIATION**, as collateral agent for the Noteholders under the Indenture described below (in this capacity, the **Collateral Agent**).

**BACKGROUND:**

The Grantor enters into this Agreement in connection with the Indenture dated February 12, 2013 (the **Indenture**) by and among Vector Group Ltd. (**Vector Group**), the Guarantors party thereto and U.S. Bank National Association, as trustee (the **Trustee**) under the Indenture. Pursuant to the Indenture, Vector Group is issuing Notes and the Grantor is guaranteeing the Notes as provided in the Indenture. The Grantor now wishes to secure its obligations under the Indenture by entering into this Agreement.

**IT IS AGREED** as follows:

**1. INTERPRETATION**

**1.1 Definitions**

In this Agreement:

**Affiliate** means, with respect to a specified Person, any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person.

The term **Collateral** means all personal property, wherever located, in which the Grantor now has or later acquires any right, title or interest, including all:

- (a) accounts;
- (b) goods (including equipment, inventory and fixtures);
- (c) health-care-insurance receivables;
- (d) instruments (including promissory notes);
- (e) documents;
- (f) letter-of-credit rights;
- (g) general intangibles (including payment intangibles and software);
- (h) the commercial tort claims described in Schedule 1 (Commercial Tort Claims);

- (i) supporting obligations;
- (j) Intellectual Property;

and to the extent not listed above as original Collateral, proceeds and products of, and accessions to, each of the above assets. The term **Collateral** excludes (i) any property, right or interest in which a security interest may not be granted under applicable law, (ii) any equity interest of the Grantor in any Affiliate of the Grantor, (iii) any equipment to the extent a grant of a security interest in such equipment would be precluded by or require a consent under the terms and conditions of any existing or future purchase money or other financing of such equipment permitted under the terms of the Indenture, (iv) any intent-to-use trademark application prior to the filing of a “Statement of Use” or “Amendment to Allege Use” with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law, (v) any aircraft, aircraft engines or motor vehicles, (vi) any deposit accounts, (vii) any cash and (viii) any investment property.

**Copyright Licenses** shall mean any and all agreements, licenses and covenants providing for the granting of any right in or to Copyrights or otherwise providing for a covenant not to sue (whether the Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading “Copyright Licenses” (as such schedule may be amended or supplemented from time to time).

**Copyrights** shall mean all United States copyrights (including Community designs), including but not limited to copyrights in software and all rights in and to databases, and all Mask Works (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, moral rights, reversionary interests, termination rights, and, with respect to any and all of the foregoing: (a) all registrations and applications therefor including, without limitation, the registrations and applications required to be listed in Schedule 2 under the heading “Copyrights” (as such schedule may be amended or supplemented from time to time), (b) all extensions and renewals thereof, (c) all rights to sue for past, present and future infringements thereof, and (d) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

**Event of Default** means an event specified as such in Clause 8.1 (Events of Default).

**Finance Documents** means the Indenture, all Notes issued from time to time under the Indenture, the Purchase Agreement, the Registration Rights Agreement, this Agreement and all other pledges, security agreements, control agreements and all other agreements and documents entered into the connection with the transactions contemplated by the Indenture.

**Guarantors** means the Grantor and the other guarantors under the Indenture.

**Intellectual Property** shall mean, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets, and the Trade Secret Licenses.

**Intellectual Property Licenses** shall mean, collectively, the Copyright Licenses, Patent Licenses, Trademark Licenses and Trade Secret Licenses.

**Lien** means any security interest, lien, mortgage, pledge, encumbrance, charge, assignment, hypothecation, adverse claim, claim, or restriction on assignment, transfer or pledge or any other arrangement having the effect of conferring security.

**Note** means any note issued from time to time under the Indenture, including any exchange note.

**Noteholder** means any Person which from time to time is the holder of a Note.

**Obligors** means Vector Group and the Guarantors.

**Patent Licenses** shall mean all agreements, licenses and covenants providing for the granting of any right in or to Patents or otherwise providing for a covenant not to sue (whether the Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading "Patent Licenses" (as such schedule may be amended or supplemented from time to time).

**Patents** shall mean all United States patents and certificates of invention, or similar industrial property rights, and applications for any of the foregoing, including, but not limited to: (a) each patent and patent application required to be listed in Schedule 2 hereto under the heading "Patents" (as such schedule may be amended or supplemented from time to time), (b) all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (c) all inventions and improvements described therein, (d) all rights to sue for past, present and future infringements thereof, (e) all licenses, claims, damages, and proceeds of suit arising therefrom, and (f) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**Person** means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, government or any department or agency thereof or any entity similar to any of the foregoing.

**Secured Liabilities** means each liability and obligation specified in Clause 2 (Secured Liabilities).

**Security** means any security interest created by this Agreement.

**Security Period** means the period beginning on the date of this Agreement and ending on the date on which all the Secured Liabilities have been indefeasibly, unconditionally and irrevocably paid and discharged in full. The Security Period will be extended to take into account any extension or reinstatement of this Agreement under Clause 3.2(b) (General). Furthermore, if the Noteholders holding a majority in aggregate principal amount of the then outstanding Notes consider that an amount paid to the Collateral Agent or a Noteholder under a Finance Document is capable of being avoided or otherwise set aside on the bankruptcy, liquidation, insolvency or administration of the payer or otherwise then that amount will not be considered to have been irrevocably paid for the purposes of this Agreement.

**Trademark Licenses** shall mean any and all agreements, licenses and covenants providing for the granting of any right in or to Trademarks or otherwise providing for a covenant not to sue or permitting co-existence (whether the Grantor is licensee or licensor thereunder) including, without limitation, each agreement required to be listed in Schedule 2 under the heading “Trademark Licenses” (as such schedule may be amended or supplemented from time to time).

**Trademarks** shall mean all United States trademarks, trade names, corporate names, company names, business names, fictitious business names, Internet domain names, service marks, certification marks, collective marks, logos, other source or business identifiers, designs and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to: (a) the registrations and applications referred to in Schedule 2 under the heading “Trademarks” (as such schedule may be amended or supplemented from time to time), (b) all extensions or renewals of any of the foregoing, (c) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (d) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (e) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**Trade Secret Licenses** shall mean any and all agreements providing for the granting of any right in or to Trade Secrets (whether the Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading “Trade Secret Licenses” (as such schedule may be amended or supplemented from time to time).

**Trade Secrets** shall mean all trade secrets and all other confidential or proprietary information and know-how whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating, or referring in any way to such Trade Secret, including but not limited to: (a) the right to sue for past, present and future misappropriation or other violation of any Trade Secret, and (b) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**UCC** means the Uniform Commercial Code as in effect from time to time in the State of New York.

## 1.2 Construction

- (a) Any term defined in the UCC and not defined in this Agreement has the meaning given to that term in the UCC.
- (b) Any term defined in the Indenture and not defined in this Agreement or the UCC has the meaning given to that term in the Indenture.
- (c) No reference to **proceeds** in this Agreement authorizes any sale, transfer or other disposition of Collateral by the Grantor.
- (d) In this Agreement, unless the contrary intention appears, a reference to:
  - (i) an **amendment** includes a supplement, novation, restatement or re-enactment and **amended** will be construed accordingly;
  - (ii) a Clause, a Subclause, an Exhibit or a Schedule is a reference to a Clause or Subclause of, or an Exhibit or Schedule to, this Agreement;
  - (iii) a law is a reference to that law as amended or re-enacted and to any successor law;
  - (iv) an agreement is a reference to that agreement as amended;
  - (v) **fraudulent transfer law** means any applicable U.S. Bankruptcy Law or state fraudulent transfer or conveyance statute, and the related case law; and
  - (vi) **law** includes any law, statute, regulation, regulatory requirement, rule, ordinance, ruling, decision, treaty, directive, order, guideline, regulation, policy, writ, judgment, injunction or request of any court or other governmental, inter-governmental or supranational body, officer or official, fiscal or monetary authority, or other ministry or public entity (and their interpretation, administration and application), whether or not having the force of law.
- (e) In this Agreement:
  - (i) **includes** and **including** are not limiting;
  - (ii) **or** is not exclusive; and
  - (iii) the headings are for convenience only, do not constitute part of this Agreement and are not to be used in construing it.

## 2. SECURED LIABILITIES

### 2.1 Secured Liabilities

Each obligation and liability whether:

- (a) present or future, actual, contingent or unliquidated; or
- (b) owed jointly or severally (or in any other capacity whatsoever),

of the Grantor to any Noteholder under or in connection with each Finance Document is a Secured Liability.

## **2.2 Specification of Secured Liabilities**

The Secured Liabilities include any liability or obligation for:

- (a) repayment of the principal of any Note;
- (b) payment of interest and any other amount payable under the Financing Documents;
- (c) payment and performance of all other obligations and liabilities of any Obligor under the Finance Documents;
- (d) payment of any amount owed under any amendment, modification, renewal, extension or novation of any of the above obligations; and
- (e) payment of an amount which arises after a petition is filed by, or against, any Obligor under the US Bankruptcy Code of 1978 even if the obligations do not accrue because of the automatic stay under Section 362 of the US Bankruptcy Code of 1978 or otherwise.

## **3. CREATION OF SECURITY**

### **3.1 Security Interest**

As security for the prompt and complete payment and performance of the Secured Liabilities when due (whether due because of stated maturity, acceleration, mandatory prepayment, or otherwise) and to induce the Noteholders to purchase the Notes, the Grantor grants to the Collateral Agent for the benefit of the Noteholders a continuing security interest in the Collateral.

### **3.2 General**

- (a) All the Security created under this Agreement:
  - (i) is continuing security for the irrevocable and indefeasible payment in full of the Secured Liabilities, regardless of any intermediate payment or discharge in whole or in part;
  - (ii) is in addition to, and not in any way prejudiced by, any other security now or subsequently held by the Collateral Agent.



- (b) If, at any time for any reason (including the bankruptcy, insolvency, receivership, reorganization, dissolution or liquidation of any Obligor or the appointment of any receiver, intervenor or conservator of, or agent or similar official for, any Obligor or any of their respective properties), any payment received by the Collateral Agent or any Noteholder in respect of the Secured Liabilities is rescinded or avoided or must otherwise be restored or returned by the Collateral Agent or any Noteholder, that payment will not be considered to have been made for purposes of this Agreement, and this Agreement will continue to be effective or will be reinstated, if necessary, as if that payment had not been made.
- (c) This Agreement is enforceable against the Grantor to the maximum extent permitted by the fraudulent transfer laws.

#### **4. PERFECTION AND FURTHER ASSURANCES**

##### **4.1 GENERAL PERFECTION**

The Grantor must take, at its own expense, promptly, and in any event within any applicable time limit:

- (a) whatever action is necessary or reasonably desirable; and
- (b) any action which the Collateral Agent may reasonably require,

to ensure that this Security is as of the date Notes are first issued under the Indenture, and will continue to be until the end of the Security Period, a validly created, attached, enforceable and perfected first priority continuing security interest in the Collateral, in all relevant jurisdictions, securing payment and performance of the Secured Liabilities.

This includes the giving of any notice, order or direction, the making of any filing or registration, the passing of any resolution and the execution and delivery of any documents or agreements which the Collateral Agent may require.

##### **4.2 Filing of financing statements**

- (a) The Grantor authorizes the Collateral Agent to prepare and file, at such Grantor's expense:
  - (i) financing statements describing the Collateral;
  - (ii) continuation statements; and
  - (iii) any amendment in respect of those statements.
- (b) Promptly after filing an initial financing statement in respect of the Collateral, the Grantor must provide the Collateral Agent with an official report from the Secretary of State of the Commonwealth of Virginia indicating that the Collateral Agent's security interest in the Collateral provided by the Grantor is prior to all other security interests or other interests reflected in the report, other than Permitted Liens (as defined in the Indenture).

#### 4.3 Intellectual Property Recording Requirements

- (a) In the case of any Collateral consisting of U.S. Patents and Patent Licenses in respect of U.S. Patents for which the Grantor is the licensee, the Grantor shall execute and deliver to the Collateral Agent a Patent Security Agreement in substantially the form of Exhibit 1 hereto (or a supplement thereto) covering all such Patents and Patent Licenses in appropriate form for recordation with the U.S. Patent and Trademark Office with respect to the security interest of the Collateral Agent.
- (b) In the case of any Collateral consisting of U.S. Trademarks and Trademark Licenses in respect of U.S. Trademarks for which the Grantor is the licensee, the Grantor shall execute and deliver to the Collateral Agent a Trademark Security Agreement in substantially the form of Exhibit 2 hereto (or a supplement thereto) covering all such Trademarks and Trademark Licenses in appropriate form for recordation with the U.S. Patent and Trademark Office with respect to the security interest of the Collateral Agent.
- (c) In the case of any Collateral consisting of registered U.S. Copyrights and Copyright Licenses in respect of U.S. Copyrights for which the Grantor is the licensee, the Grantor will execute and deliver to the Collateral Agent a Copyright Security Agreement in substantially the form of Exhibit 3 hereto (or a supplement thereto) covering all such Copyright and Copyright Licenses in appropriate form for recordation with the U.S. Copyright Office with respect to the security interest of the Collateral Agent.

#### 4.4 Further assurances

- (a) The Grantor must take, at its own expense, promptly, and in any event within any applicable time limit, whatever action may reasonably be required under the Indenture or this Agreement for:
  - (i) creating, attaching, perfecting and protecting, and maintaining the priority of, any security interest intended to be created by this Agreement;
  - (ii) facilitating the enforcement of this Security or the exercise of any right, power or discretion exercisable by the Collateral Agent or any of its delegates or sub-delegates in respect of any Collateral; and
  - (iii) facilitating the assignment or transfer of any rights and/or obligations of the Collateral Agent under this Agreement.

This includes the execution and delivery of any transfer, assignment or other agreement or document, whether to the Collateral Agent or its nominee, which the Collateral Agent may require.

- (b) The Grantor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as the Grantor's true and lawful attorney-in-fact, in the Grantor's name or in the Collateral Agent's name or otherwise, and at the Grantor's expense, to take any of the actions referred to in paragraph (a) above without notice to or the consent of the Grantor. This power of attorney is a power coupled with an interest and cannot be revoked. The Grantor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.

**5. REPRESENTATIONS AND WARRANTIES**

**5.1 Representations and warranties**

The representations and warranties set out in this Clause are made by the Grantor to the Collateral Agent and each Noteholder.

**5.2 The Grantor**

- (a) It is incorporated or organized under the laws of the state indicated in the preamble to this Agreement.
- (b) Its exact legal name, as it appears in the public records of its jurisdiction of incorporation or organization, is as stated in the preamble to this Agreement. It has not changed its name, whether by amendment of its organizational documents, reorganization, merger or otherwise, since its date of incorporation, April 1, 2002.
- (c) Its organizational identification number, as issued by its jurisdiction of incorporation is 0469701-7.
- (d) It keeps at its address indicated in Clause 16 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Collateral.

**5.3 The Collateral**

- (a) Except as permitted under the Indenture:
  - (i) it is the sole legal and beneficial owner of, and has the power to transfer and grant a security interest in, the Collateral;
  - (ii) none of the Collateral is subject to any Lien other than the Collateral Agent's security interest;
  - (iii) it has not agreed or committed to sell, assign, pledge, transfer, license, lease or encumber any of the Collateral, or granted any option, warrant or right with respect to any of the Collateral; and

- (iv) no effective mortgage, deed of trust, financing statement, security agreement or other instrument similar in effect is on file or of record with respect to any Collateral, except for those that create, perfect or evidence the Collateral Agent's security interest.
- (b) No litigation, arbitration or administrative proceedings are current or pending or, to its knowledge, threatened, involving or affecting the Collateral, and none of the Collateral is subject to any order, writ, injunction, execution or attachment.

#### **5.4 No liability**

- (a) Its rights, interests, liabilities and obligations under contractual obligations that constitute part of the Collateral are not affected by this Agreement or the exercise by the Collateral Agent of its rights under this Agreement;
- (b) Neither the Collateral Agent nor any Noteholder, unless it expressly agrees in writing, will have any liabilities or obligations under any contractual obligation that constitutes part of the Collateral as a result of this Agreement, the exercise by the Collateral Agent of its rights under this Agreement or otherwise; and
- (c) Neither the Collateral Agent nor any Noteholder has or will have any obligation to collect upon or enforce any contractual obligation or claim that constitutes part of the Collateral, or to take any other action with respect to the Collateral.

#### **5.5 Consideration and solvency**

- (a) Terms used in this Clause have the meanings given to them in, and must be construed in accordance with, the fraudulent transfer laws.
- (b) It will receive valuable direct and indirect benefits as a result of the transactions financed by the issuance of the Notes and these benefits constitute reasonably equivalent value and fair consideration.
- (c) To the best of its knowledge, the Collateral Agent and the Noteholders have acted in good faith in connection with the transactions contemplated by this Agreement.
- (d) The sum of its debts (including its obligations under this Agreement) is less than the value of its property (calculated at the lesser of fair valuation and present fair saleable value).
- (e) Its capital is not unreasonably small to conduct its business as currently conducted or as proposed to be conducted.
- (f) It has not incurred, does not intend to incur and does not believe it will incur debts beyond its ability to pay as they mature.
- (g) It has not made a transfer or incurred an obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors.

## 5.6 Intellectual Property

- (a) It is the sole and exclusive owner of the entire right, title, and interest in and to all Intellectual Property listed on Schedule 2 (as such schedule may be amended or supplemented from time to time), and owns or has the valid right to use and, where the Grantor does so, sublicense others to use, all other Intellectual Property used in or necessary to conduct its business, free and clear of all Liens, claims, encumbrances and licenses, except for Permitted Liens (as defined in the Indenture) and the licenses set forth on Schedule 2 (as such schedule may be amended or supplemented from time to time).
- (b) All Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, nor, in the case of Patents, is any of the Intellectual Property the subject of a reexamination proceeding, and the Grantor has performed all acts and has paid all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Copyrights, Patents and Trademarks in full force and effect.
- (c) All Intellectual Property is valid and enforceable; no holding, decision, ruling, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity or scope of, the Grantor's right to register, or the Grantor's rights to own or use, any Intellectual Property and no such action or proceeding is pending or, to the best of the Grantor's knowledge, threatened.
- (d) All registrations and applications for Copyright registrations, Patents and Trademark registrations are standing in the name of the Grantor, and none of the Trademarks, Patents, Copyrights or Trade Secrets has been licensed by any Grantor to any Affiliate or third party, except as disclosed in Schedule 2 (as such schedule may be amended or supplemented from time to time), and all exclusive Copyright Licenses have been properly recorded in the U.S. Copyright Office.
- (e) The Grantor has not made a previous assignment, sale, transfer, exclusive license or agreement constituting a present or future assignment, sale, transfer, exclusive license or agreement of any Intellectual Property that has not been terminated or released.
- (f) The Grantor has been using appropriate statutory notice of registration in connection with its use of registered Trademarks, proper marking practices in connection with the use of Patents, and appropriate notice of copyright in connection with the publication of Copyrights.
- (g) The Grantor uses adequate standards of quality in the manufacture, distribution, and sale of all products sold and in the provision of all services rendered under or in connection with all Trademark Collateral and has taken all action necessary to insure that all licensees of the Trademark Collateral owned by the Grantor use such adequate standards of quality.

- (h) The conduct of such Grantor's business does not infringe upon or misappropriate or otherwise violate any trademark, patent, copyright, trade secret or other intellectual property right of any other Person; no claim has been made that the use of any Intellectual Property owned or used by the Grantor (or any of its respective licensees) infringes upon, misappropriates or otherwise violates the asserted rights of any other Person, and no demand that the Grantor enter into a license or co-existence agreement has been made but not resolved.
- (i) To the best of the Grantor's knowledge, no other Person is infringing upon, misappropriating or otherwise violating any rights in any Intellectual Property owned, licensed or used by the Grantor, or any of its respective licensees.
- (j) No settlement or consents, covenants not to sue, co-existence agreements, non-assertion assurances, or releases have been entered into by the Grantor or binds the Grantor in a manner that could adversely affect the Grantor's rights to own, license or use any Intellectual Property.

**5.7 Times for making representations and warranties**

- (a) The representations and warranties set out in this Agreement (including in this Clause) are made on the date of this Agreement.
- (b) Unless a representation and warranty is expressed to be given at a specific date, all representations and warranties under this Agreement are deemed to be repeated by the Grantor on the date of each issuance of Notes under the Indenture with reference to the facts and circumstances then existing.
- (c) When representations and warranties are repeated, they are applied to the circumstances existing at the time of repetition.
- (d) The representations and warranties of the Grantor contained in this Agreement or made by the Grantor in any certificate, notice or report delivered under this Agreement will survive each issuance of Notes, the repayment of the Notes, and any transfer or assignment of the Notes.

**6. UNDERTAKINGS**

**6.1 Undertakings**

The Grantor agrees to be bound by the covenants set out in this Clause.

**6.2 The Grantor**

- (a) Except as permitted under the Indenture, the Grantor must preserve its corporate or limited liability company existence and will not, except as permitted by the Indenture, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets.

- (b) The Grantor may not change the jurisdiction of its incorporation or organization without providing the Collateral Agent with at least 30 days' prior written notice.
- (c) The Grantor may not change its name without providing the Collateral Agent with at least 30 days' prior written notice.
- (d) The Grantor must keep at its address indicated in Clause 16 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Collateral.
- (e) The Grantor will permit the Collateral Agent and its agents and representatives, during normal business hours and upon reasonable notice, to inspect the Collateral, to examine and make copies of and abstracts from the records referred to in paragraph (d) above, and to discuss matters relating to the Collateral directly with the Grantor's officers and employees.
- (f) At the Collateral Agent's request, the Grantor must provide the Collateral Agent with any information concerning the Collateral that the Collateral Agent may reasonably request.

### **6.3 The Collateral**

- (a) Except as expressly permitted by the Indenture or this Agreement, the Grantor:
  - (i) must maintain sole legal and beneficial ownership of the Collateral;
  - (ii) must not permit any Collateral to be subject to any Lien other than the Collateral Agent's security interest and must at all times warrant and defend the Collateral Agent's security interest in the Collateral against all other Liens and claimants;
  - (iii) must not sell, assign, transfer, pledge, license, lease or encumber, or grant any option, warrant, or right with respect to, any of the Collateral, or agree or contract to do any of the foregoing;
  - (iv) must not waive, amend or terminate, in whole or in part, any material accessory or ancillary right or other right in respect of any Collateral; and
  - (v) must not take any action which would result in a reduction in the value of any Collateral.
- (b) The Grantor must pay when due (and in any case before any penalties are assessed or any Lien is imposed on any Collateral) all taxes, assessments and charges imposed on or in respect of Collateral and all claims against the Collateral, including claims for labor, materials and supplies.

- (c) In any suit, legal action, arbitration or other proceeding involving the Collateral or the Collateral Agent's security interest, the Grantor must take all lawful action to avoid impairment of the Collateral Agent's security interest or the Collateral Agent's rights under this Agreement or the imposition of a Lien (other than Permitted Liens (as defined in the Indenture)) on any Collateral.

#### **6.4 Intellectual Property**

- (a) It shall not do any act or omit to do any act whereby any of the Intellectual Property which is material to the business of the Grantor or which is of material value may lapse, or become abandoned, dedicated to the public, or unenforceable, or which would adversely affect the validity, grant, or enforceability of the security interest granted therein.
- (b) It shall not, with respect to any Trademarks, cease the use of any of such Trademarks or fail to maintain the level of the quality of products sold and services rendered under any of such Trademark at a level at least substantially consistent with the quality of such products and services as of the date hereof, and the Grantor shall take all steps necessary to insure that licensees of such Trademarks use such consistent standards of quality.
- (c) It shall, within thirty (30) days of the creation or acquisition or exclusive license of any Copyrightable work which is material to the business of the Grantor or otherwise of material value, apply to register the Copyright and, in the case of an exclusive Copyright License, record such license, in the United States Copyright Office.
- (d) It shall promptly notify the Collateral Agent if it knows or has reason to know that any item of Intellectual Property material to its business may become (i) abandoned or dedicated to the public or placed in the public domain, (ii) invalid or unenforceable, (iii) subject to any adverse determination or development (including the institution of proceedings) in any action or proceeding in the United States Patent and Trademark Office, the United States Copyright Office, any state registry, any foreign counterpart of the foregoing, or any court or (iv) be the subject of any reversion or termination rights.
- (e) It shall take all reasonable steps in the United States Patent and Trademark Office, the United States Copyright Office to pursue any application and maintain any registration of each Trademark, Patent, and Copyright owned by or exclusively licensed to the Grantor which is now or shall become included in the Intellectual Property including, but not limited to, those items on Schedule 3 (as such may be amended or supplemented from time to time).
- (f) It shall hereafter use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way materially impair or prevent the creation of a security interest in, or the assignment of, the Grantor's rights and interests in any property included within the definitions of any Intellectual Property acquired under such contracts.



- (g) In the event that any Intellectual Property owned by or exclusively licensed to the Grantor is infringed, misappropriated, or diluted by a third party, the Grantor shall promptly take all reasonable actions to stop such infringement, misappropriation, or dilution and protect its rights in such Intellectual Property including, but not limited to, the initiation of a suit for injunctive relief and to recover damages.
- (h) It shall take all steps reasonably necessary to protect the secrecy of all Trade Secrets, including, without limitation, entering into confidentiality agreements with employees and consultants and labeling and restricting access to secret information and documents.
- (i) It shall use proper statutory notice in connection with its use of any of the Intellectual Property.
- (j) It shall continue to collect, at its own expense, all amounts due or to become due to the Grantor in respect of the Intellectual Property or any portion thereof. In connection with such collections, the Grantor may take (and, at the Collateral Agent's reasonable direction, shall take) such action as the Grantor or the Collateral Agent may deem reasonably necessary or advisable to enforce collection of such amounts. Notwithstanding the foregoing, the Collateral Agent shall have the right at any time, to notify, or require the Grantor to notify, any obligors with respect to any such amounts of the existence of the security interest created hereby.

## **6.5 Notices**

- (a) The Grantor must give the Collateral Agent prompt notice of the occurrence of any of the following events:
  - (i) any pending or threatened claim, suit, legal action, arbitration or other proceeding involving or affecting the Grantor or any Collateral which could reasonably be expected to impair the Collateral Agent's security interest or the Collateral Agent's rights under this Agreement or result in the imposition of a Lien (other than Permitted Liens (as defined in the Indenture) on any Collateral;
  - (ii) any loss or damage to any material portion of the Collateral; or
  - (iii) any representation or warranty contained in this Agreement is or becomes untrue, incorrect or incomplete in any material respect.
- (b) Each notice delivered under this Clause, must include:
  - (i) reasonable details about the event; and
  - (ii) the Grantor's proposed course of action.

Delivery of a notice under this Clause does not affect the Grantor's obligations to comply with any other term of this Agreement.

**7. WHEN SECURITY BECOMES ENFORCEABLE**

This Security may be enforced by the Collateral Agent at any time after an Event of Default has occurred.

**8. ENFORCEMENT OF SECURITY**

**8.1 Events of Default**

Each of the events set out in this Subclause is an Event of Default.

- (a) The Grantor fails to comply with Clause 6.3(a) (The Collateral);
- (b) The Grantor fails to comply with any other term of this Agreement or any Control Agreement unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within 14 days of the Collateral Agent giving notice to the Grantor;
- (c) A representation or warranty made or repeated in this Agreement or any Control Agreement, is untrue or incorrect in any material aspect when made or deemed to be repeated;
- (d) Any attachment, execution or levy is made in respect of material part of the Collateral; or
- (e) An "Event of Default" (as that term is defined in the Indenture) occurs.

**8.2 General**

- (a) After this Security has become enforceable, the Collateral Agent may immediately, in its absolute discretion, exercise any right under:
  - (i) applicable law; or
  - (ii) this Agreement,

to enforce all or any part of the Security in respect of any Collateral in any manner or order it sees fit.

- (b) This includes:

- (i) any rights and remedies available to the Collateral Agent under applicable law and under the UCC (whether or not the UCC applies to the affected Collateral and regardless of whether or not the UCC is the law of the jurisdiction where the rights or remedies are asserted) as if those rights and remedies were set forth in this Agreement in full;
- (ii) transferring or assigning to, or registering in the name of, the Collateral Agent or its nominees any of the Collateral;
- (iii) exercising any consent and other rights relating to any Collateral;
- (iv) performing or complying with any contractual obligation that constitutes part of the Collateral;
- (v) receiving, endorsing, negotiating, executing and delivering or collecting upon any check, draft, note, acceptance, account, instrument, document, letter of credit, contract, agreement, receipt, release, bill of lading, invoice, endorsement, assignment, bill of sale, deed, security, share certificate, stock power, proxy, or instrument of conveyance or transfer constituting or relating to any Collateral;
- (vi) asserting, instituting, filing, defending, settling, compromising, adjusting, discounting or releasing any suit, action, claim, counterclaim, right of set-off or other right or interest relating to any Collateral;
- (vii) executing and delivering acquittances, receipts and releases in respect of Collateral; and
- (viii) exercising any other right or remedy available to the Collateral Agent under the other Finance Documents or any other agreement between the parties.

### **8.3 Collections after an Event of Default**

- (a) If an Event of Default occurs and is continuing, the Grantor must hold all funds and other property received or collected in respect of the Collateral in trust for the Collateral Agent, and must keep these funds and this other property segregated from all other funds and property so as to be capable of identification.
- (b) The Grantor must deliver those funds and that other property to the Collateral Agent in the identical form received, properly endorsed or assigned when required to enable the Collateral Agent to complete collection.
- (c) After the occurrence and during the continuation of an Event of Default, the Grantor may not settle, compromise, adjust, discount or release any claim in respect of Collateral, and the Grantor may not accept any returns of merchandise other than in the ordinary course of business.

#### 8.4 Collateral Agent's rights upon default

- (a) The Grantor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as the Grantor's true and lawful attorney-in-fact, in the Grantor's name or in the Collateral Agent's name or otherwise, and at the Grantor's expense, to take any of the actions authorized by this Agreement or permitted under applicable law upon the occurrence and during the continuation of an Event of Default, without notice to or the consent of the Grantor. This power of attorney is a power coupled with an interest and cannot be revoked. The Grantor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.
- (b) The Grantor agrees that 10 days notice shall constitute reasonable notice in connection with any sale, transfer or other disposition of Collateral.
- (c) The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of Collateral.
- (d) The grant to the Collateral Agent under this Agreement of any right, power or remedy does not impose upon the Collateral Agent any duty to exercise that right, power or remedy. The Collateral Agent will have no obligation to take any steps to preserve any claim or other right against any person or with respect to any Collateral.
- (e) The Grantor bears the risk of loss, damage, diminution in value, or destruction of the Collateral.
- (f) The Collateral Agent will have no responsibility for any act or omission of any courier, bailee, broker, bank, investment bank or any other person chosen by it with reasonable care.
- (g) The Collateral Agent makes no express or implied representations or warranties with respect to any Collateral or other property released to the Grantor or its successors and assigns.
- (h) The Grantor agrees that the Collateral Agent will have met its duty of care under applicable law if it holds, maintains and disposes of Collateral in the same manner that it holds, maintains and disposes of property for its own account.
- (i) Except as set forth in this Clause or as required under applicable law, the Collateral Agent will have no duties or obligations under this Agreement or otherwise with respect to the Collateral.
- (j) The sale, transfer or other disposition under this Agreement of any right, title, or interest of the Grantor in any item of Collateral will:
  - (i) operate to divest the Grantor permanently and all persons claiming under or through the Grantor of that right, title, or interest, and

(ii) be a perpetual bar, both at law and in equity, to any claims by the Grantor or any person claiming under or through the Grantor with respect to that item of Collateral.

#### 8.5 No marshaling

- (a) The Collateral Agent need not, and the Grantor irrevocably waives and agrees that it will not invoke or assert any law requiring the Collateral Agent to:
- (i) attempt to satisfy the Secured Liabilities by collecting them from any other person liable for them; or
  - (ii) marshal any security or guarantee securing payment or performance of the Secured Liabilities or any particular asset of the Grantor.
- (b) The Collateral Agent may release, modify or waive any collateral or guarantee provided by any other person to secure any of the Secured Liabilities, without affecting the Collateral Agent's rights against the Grantor.

#### 8.6 Grant of Intellectual Property License

For the purpose of enabling the Collateral Agent, during the continuance of an Event of Default, to exercise rights and remedies under this Clause 8 hereof at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Grantor hereby grants to the Collateral Agent, to the extent assignable, an irrevocable, non-exclusive license to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Grantor, wherever the same may be located. Such license shall be subject, in the case of Trademarks, to sufficient rights to quality control and inspection in favor of the Grantor to avoid the risk of invalidation of said Trademarks. Such license shall include access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof.

#### 9. APPLICATION OF PROCEEDS

Any moneys received in connection with the Collateral by the Collateral Agent after this Security has become enforceable must be applied in the following order of priority:

- (a) **first**, in or towards payment of or provision for all costs and expenses incurred by the Collateral Agent in connection with the enforcement of this Security;
- (b) **second**, in or towards payment of, or provision for, the Secured Liabilities; and
- (c) **third**, in payment of the surplus (if any) to the Grantor or any other Person entitled to it under applicable law.

This Clause is subject to the payment of any claims having priority over this Security under mandatory provisions of applicable law. This Clause does not prejudice the right of any Noteholder to recover any shortfall from the Grantor.

**10. EXPENSES AND INDEMNITY**

- (a) The Grantor must pay promptly on demand to the Collateral Agent all costs and expenses incurred by the Collateral Agent, any Noteholder, attorney, manager, delegate, sub-delegate, agent or other person appointed by the Collateral Agent under this Agreement for the purpose of enforcing its rights under this Agreement. This includes:
  - (i) costs of foreclosure and of any transfer, disposition or sale of Collateral;
  - (ii) costs of maintaining or preserving the Collateral or assembling it or preparing it for transfer, disposition or sale;
  - (iii) costs of obtaining money damages; and
  - (iv) fees and expenses of attorneys employed by the Collateral Agent for any purpose related to this Agreement or the Secured Liabilities, including consultation, preparation and negotiation of any amendment or restructuring, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.
  
- (b) The Grantor must indemnify and keep indemnified the Collateral Agent, the Noteholders and their respective affiliates, directors, officers, representatives and agents from and against all claims, liabilities, obligations, losses, damages, penalties, judgments, costs and expenses of any kind (including attorney's fees and expenses) which may be imposed on, incurred by or asserted against any of them by any person (including any Noteholder) in any way relating to or arising out of:
  - (i) this Agreement;
  - (ii) the Collateral;
  - (iii) the Collateral Agent's security interest in the Collateral;
  - (iv) any Event of Default;
  - (v) any action taken or omitted by the Collateral Agent under this Agreement or any exercise or enforcement of rights or remedies under this Agreement; or
  - (vi) any transfer sale or other disposition of or any realization on Collateral.

- (c) The Grantor will not be liable to an indemnified party to the extent any liability results from that indemnified party's gross negligence or willful misconduct. Payment by an indemnified party will not be a condition precedent to the obligations of the Grantor under this indemnity.
- (d) This Clause survives the issuance of the Notes, the repayment of the Notes, any transfer or assignment of the Notes and the termination of this Agreement.

**11. EVIDENCE AND CALCULATIONS**

In the absence of manifest error, the records of the Collateral Agent are conclusive evidence of the existence and the amount of the Secured Liabilities.

**12. CHANGES TO THE PARTIES**

**12.1 Grantor**

The Grantor may not assign, delegate or transfer any of its rights or obligations under this Agreement without the consent of the Collateral Agent, and any purported assignment, delegation or transfer in violation of this provision shall be void and of no effect.

**12.2 Collateral Agent**

The Collateral Agent may assign or transfer its rights and obligations under this Agreement in the manner permitted under the Indenture.

**12.3 Successors and assigns**

This Agreement shall be binding on and inure to the benefit of the respective successors and permitted assigns of the Grantor and the Collateral Agent.

**13. MISCELLANEOUS**

**13.1 Amendments and waivers**

Any term of this Agreement may be amended or waived only by the written agreement of the Grantor and the Collateral Agent.

**13.2 Waivers and remedies cumulative**

- (a) The rights and remedies of the Collateral Agent under this Agreement:
  - (i) may be exercised as often as necessary;
  - (ii) are cumulative and not exclusive of its rights under applicable law; and
  - (iii) may be waived only in writing and specifically.

(b) Delay in exercising, or non-exercise, of any right or remedy under this Agreement is not a waiver of that right or remedy.

### **13.3 Counterparts**

This Agreement may be executed in counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

### **14. SEVERABILITY**

If any term of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other term of this Agreement.

### **15. RELEASE**

At the end of the Security Period, the Collateral Agent must, at the request and cost of the Grantor, take whatever action is necessary to release the Collateral from this Security in accordance with the terms of the Indenture.

### **16. NOTICES**

#### **16.1 Notices**

Any communication in connection with this Agreement must be in writing and, unless otherwise stated, must be given in person or by fax.

#### **16.2 Contact details**

- (a) The contact details of the Grantors for this purpose are:

Vector Tobacco Inc.  
Address: 3800 Paramount Parkway  
Suite 250  
PO Box 2010  
Morrisville, NC 27560  
Fax: (305) 579-8016  
Attention: Marc N. Bell



- (b) The contact details of the Collateral Agent for this purpose are:

U.S. Bank National Association  
Address: Global Corporate Trust Services  
60 Livingston Avenue  
EP-MN-WS3C  
St. Paul, MN 55107-2292  
Fax: (651) 495-7430  
Attention: Joshua A. Hahn

- (c) Either party may change its contact details by giving five Business Days' notice to the other party.
- (d) Where a party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

### **16.3 Effectiveness**

- (a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:
- (i) if delivered in person, at the time of delivery;
  - (ii) if by fax, when sent with confirmation of transmission.
- (b) A communication given under this Clause but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

### **17. GOVERNING LAW**

This Agreement, the relationship between the Grantor, the Collateral Agent and the Noteholders and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any particular Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

### **18. ENFORCEMENT**

#### **18.1 Jurisdiction**

- (a) Each of the Parties agrees that any New York State court or Federal court sitting in the City and County of New York has jurisdiction to settle any disputes in connection with this Agreement and accordingly submits to the jurisdiction of those courts.

- (b) Each of the Parties:
  - (i) waives objection to the New York State and Federal courts on grounds of personal jurisdiction, inconvenient forum or otherwise as regards proceedings in connection with this Agreement; and
  - (ii) agrees that a judgment or order of a New York State or Federal court in connection with this Agreement is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.
- (c) Nothing in this Clause limits the right of the Collateral Agent or any Noteholder to bring proceedings against the Grantor in connection with this Agreement:
  - (i) in any other court of competent jurisdiction; or
  - (ii) concurrently in more than one jurisdiction.

## **18.2 Service of Process**

- (a) The Grantor irrevocably appoints CT Corporation System, 4701 Cox Rd., Suite 301 Glen Allen, VA 23060 as its agent for service of process in relation to proceedings before any courts located in the State of New York in connection with this Agreement.
- (b) The Grantor agrees to maintain an agent for service of process in the State of New York until the end of the Security Period.
- (c) The Grantor agrees that failure by a process agent to notify the Grantor of the process will not invalidate the proceedings concerned.
- (d) The Grantor consents to the service of process relating to any proceedings by a notice given in accordance with Clause 16 (Notices) above.
- (e) If the appointment of any person mentioned in paragraph (a) above ceases to be effective, the Grantor must immediately appoint a further person in the State of New York to accept service of process on its behalf in the State of New York, and, if the Grantor does not appoint a process agent within 15 days, the Grantor authorizes the Collateral Agent to appoint a process agent for the Grantor.

## **18.3 Complete Agreement**

This Agreement and the other Finance Documents contain the complete agreement between the parties on the matters to which they relate and supersede all prior commitments, agreements and understandings, whether written or oral, on those matters.

**18.4 Waiver of Jury Trial**

THE GRANTOR AND THE COLLATERAL AGENT (FOR ITSELF AND ON BEHALF OF THE NOTEHOLDERS) WAIVE ANY RIGHTS THEY MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED ON OR ARISING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

The undersigned, intending to be legally bound, have executed and delivered this Agreement on the date stated at the beginning of this Agreement.

**SCHEDULE 1**

**COMMERCIAL TORT CLAIMS**

None.

**SCHEDULE 2  
INTELLECTUAL PROPERTY**

**Copyrights:**

**Registrations**

<u>Title</u>	<u>Owner</u>	<u>Registration No.</u> <u>Registration Date</u>
Quest 1 cigarette packaging in blue.	Vector Tobacco Inc.	VA1390735 12/22/05

**Applications:**

None.

**Copyright Licenses:**

None.

**Patents:**

**Registrations**

<u>Title</u>	<u>Country</u>	<u>Application No.</u> <u>Patent No.</u>	<u>Date Filed on</u>	<u>Issue Date</u>
Method Of Making A Smoking Composition	USA	10/007724 6,789,548	Nov. 9, 2001	Sept. 14, 2004
Method Of Making A Smoking Composition	USA	10/871863 6,959,712	June 18, 2004	Nov. 1, 2005
Global Gene Expression Analysis Of Human Bronchial Epithelial Cells Exposed To Cigarette Smoke, Smoke Condensates, Or Components Thereof	USA	10/593596 7,727,715	Sept. 20, 2006	June 1, 2010
Approaches to Identify Less Harmful Tobacco and Tobacco Products	USA	11/596088 7,662,565	Nov. 9, 2006	Feb. 16, 2010

**Applications:**








<u>Title</u>	<u>Country</u>	<u>Application No.</u>	<u>Date Filed on</u>
Global Gene Expression Analysis Of Human Bronchial Epithelial Cells Exposed To Cigarette Smoke, Smoke Condensates, Or Components Thereof	USA	12/770,668	April 29, 2010
Reduced Risk Tobacco Products and Methods of Making Same	USA	11/913870	Nov. 8, 2007
Reduced Risk Tobacco Products and Use Thereof	USA	12/711,974	Feb. 24, 2010

**Patent Licenses:**

None.

**Trademarks:**

**Registrations**

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
	Vector Tobacco Inc.	78/213138 10-FEB-2003	2849710 01-JUN-2004
	Vector Tobacco Inc.	78/213127 10-FEB-2003	2849709 01-JUN-2004
	Vector Tobacco Inc.	78/213122 10-FEB-2003	2849708 01-JUN-2004
	Vector Tobacco Inc.	78/195555 17-DEC-2002	2858950 29-JUN-2004
	Vector Tobacco Inc.	76/352487 21-DEC-2001	2748408 05-AUG-2003
	Vector Tobacco Inc.	74/395979 27-MAY-1993	1900069 13-JUN-1995
	Vector Tobacco Inc.	74/395982 27-MAY-1993	1863306 15-NOV-1994

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
EAGLE 20'S	Vector Tobacco Inc.	73/065753 14-OCT-1975	1041041 08-JUN-1976
QUEST	Vector Tobacco Inc.	78/891393 24-MAY-2006	3307003 09-OCT-2007
QUEST 1	Vector Tobacco Inc.	78/181534 04-NOV-2002	2837372 27-APR-2004
QUEST 2	Vector Tobacco Inc.	78/181570 04-NOV-2002	2837373 27-APR-2004
QUEST 3	Vector Tobacco Inc.	78/181574 04-NOV-2002	2837374 27-APR-2004
SILVER EAGLE	Vector Tobacco Inc.	78/632586 18-MAY-2005	3140520 05-SEP-2006

**Applications:**

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>
QUEST	Vector Tobacco Inc.	77873485 11/16/2009

**Trademark Licenses:**

None.

**Trade Secret Licenses:**

None.

**SIGNATORIES**

IN WITNESS WHEREOF, the Grantor has caused this Security Agreement to be duly executed by its duly authorized officer as of the day and year first above written.

**Grantor**

VECTOR TOBACCO INC.

By: /s/ Francis G. Wall

Name: Francis G. Wall

Title: Vice President of Finance, Treasure and Chief Financial Officer

*(Signature Page to Security Agreement – Vector Tobacco Inc.)*



**Collateral Agent**

U.S. BANK NATIONAL ASSOCIATION  
as Collateral Agent

By: /s/ Joshua A. Hahn

Name: Joshua A. Hahn

Title: Assistant Vice President

*(Signature Page to Security Agreement – Vector Tobacco Inc.)*

**EXHIBIT 1**

**Form of Patent Security Agreement**

**(see attached)**

**FORM OF  
PATENT SECURITY AND PLEDGE AGREEMENT**

This **PATENT SECURITY AND PLEDGE AGREEMENT**, dated as of [            ], 2013 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by [            ], a [            ] corporation (the "Grantor") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantor has guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantor and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantor shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Patent and Trademark Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

**1.  
DEFINITIONS.**

**1.1**        Terms Defined in the Security Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

**1.2**        Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

“Assignment of Patents” has the meaning set forth in Section 2.2 herein.

“Patent Collateral” has the meaning set forth in Section 2.1 herein.

“PTO” means the United States Patent and Trademark Office.

**1.3** Rules of Construction. Unless otherwise provided herein, the rules of construction set forth in Section 1.2 of the Security Agreement shall be applicable to this Agreement.

## 2.

### GRANT OF SECURITY INTEREST.

**2.1** Security Interest. As collateral security for the payment and performance in full of all of the Secured Liabilities, each Grantor hereby grants to the Collateral Agent, for the benefit of the Collateral Agent and the ratable benefit of the Noteholders, a continuing security interest in and first priority lien on all of such Grantor’s rights, title and interests in all Patents and Patent Licenses, including the Patents and Patent Licenses referred to on Schedule A hereto, in each case whether now or hereafter existing or arising or in which such Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Patent Collateral”).

**2.2** Assignment of Patents upon Default. Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Patents and Patent Licenses that constitute Patent Collateral in substantially the form of Exhibit 1 hereto (each an “Assignment of Patents”) for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, each Grantor hereby authorizes the Collateral Agent to complete, execute and record with the PTO an Assignment of Patents on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement.

**2.3** Conditional Assignment. In addition to, and not by way of limitation of, the grant and pledge of the Patent Collateral provided in Section 2.1, each Grantor grants, assigns, transfers, conveys and sets over to the Collateral Agent, for the benefit of the Noteholders, such Grantor’s entire right, title and interest in and to the Patent Collateral; *provided*, that such grant, assignment, transfer and conveyance shall be and become of force and effect only (a) in connection with the Collateral Agent’s exercise of its rights and remedies in strict accordance with the terms of the Security Agreement, and (b) upon or after the occurrence and during the continuance of an Event of Default and (c) either (i) upon the written demand of the Collateral Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by the Collateral Agent) upon an Event of Default for which acceleration of the payment of the Notes is automatic under the Indenture or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by any Grantor to the Collateral Agent or its nominee in lieu of foreclosure).

**2.4** Supplemental to Security Agreement. Pursuant to the Security Agreement the Grantor has granted to the Collateral Agent, for the benefit of the Noteholders, a continuing security interest in and first lien on the Collateral (including the Patent Collateral). The Security Agreement, and all rights and interests of the Collateral Agent in and to the Collateral (including the Patent Collateral) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Agreement, the grant, assignment, transfer and conveyance of the Patent Collateral hereunder, or the recordation of this Agreement (or any other document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Collateral Agent in the Collateral (including the Patent Collateral) pursuant to the Security Agreement, the attachment and perfection of such security interest under the UCC (including the security interest in the Patent Collateral), or any present or future rights and interests of the Collateral Agent in and to the Collateral under or in connection with the Security Agreement or the UCC. Any and all rights and interests of the Collateral Agent in and to the Patent Collateral (and any and all obligations of the Grantors with respect to the Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Collateral Agent (and the obligations of the Grantors) in, to or with respect to the Collateral (including the Patent Collateral) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

**3.**  
**AFTER-ACQUIRED PATENTS**

**3.1** After-acquired Patents. If, after the execution of this Agreement and before the end of the Secured Period, any Grantor shall obtain any right, title or interest in or to any new patentable inventions or become entitled to the benefit of any Patents or Patent Licenses for any reissue, division, or continuation, of any Patent, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

**3.2** Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement and the Assignments of Patents, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Patents to include any future or other Patents or Patent Licenses that become part of the Patent Collateral under Section 2 or Section 3.1.

4.

**GOVERNING LAW; CONSENT TO JURISDICTION.**

This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Patent Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

5.

**MISCELLANEOUS.**

5.1 Headings. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Collateral Agent, the other Noteholders and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Grantor acknowledges receipt of a copy of this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Signatures begin on next page]*

**IN WITNESS WHEREOF**, this Patent Security and Pledge Agreement has been executed and delivered by its duly authorized officer as of the day and year first above written.

[                    ], as Grantor

By:

\_\_\_\_\_  
Name:

Title:

**U.S. Bank National Association**, as Collateral Agent

By:

\_\_\_\_\_  
Name:

Title:

**Schedule A  
to the Patent Security and Pledge Agreement**

*[To be completed by the Grantor]*

Grantor: [ ]

Issued U.S. Patents of Grantor

<b>Patent No.</b>	<b>Issue Date</b>	<b>Title</b>



**Schedule A  
to the Patent Security and Pledge Agreement**

Pending U.S. Patent Applications of Grantor

<b>Serial No.</b>	<b>Filing Date</b>	<b>Title</b>

**EXHIBIT 1**  
**ASSIGNMENT OF PATENTS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the patents (the "Patents") identified on the Annex hereto, and is the owner of such Patents; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Patents;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Patent Collateral Security and Pledge Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, Patent Collateral Agreement"). Capitalized terms used and not defined herein have the meanings given such terms in the Patent Collateral Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Patents, together with (i) the Issued Patents and Patent Applications identified on the Annex attached hereto and incorporated herein by reference, (ii) the goodwill of the business symbolized by and associated with the Patents, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements of or damage or injury to the Patents or such associated goodwill.

This Assignment of Patents is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Patents below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Patents by the Assignor to the Assignee is hereby accepted as of the \_\_ day of \_\_\_\_\_, 20\_\_.

**U.S. Bank National Association**

By: \_\_\_\_\_

Name:

Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )

) ss.

COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

[Seal]

My commission expires:

ANNEX  
U.S. PATENT REGISTRATIONS AND APPLICATIONS

Title	App. No. Filing Date	Patent No. Issue Date	Security Interest

**EXHIBIT 2**

**Form of Trademark Security Agreement**

**(see attached)**

**FORM OF  
TRADEMARK SECURITY AND PLEDGE AGREEMENT**

This **TRADEMARK SECURITY AND PLEDGE AGREEMENT**, dated as of [            ], 2013 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by [            ], a [            ] corporation (the "Grantor") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantor has guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantor and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantor shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Patent and Trademark Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

**1.  
DEFINITIONS.**

**1.1**        Terms Defined in the Security Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

**1.2**        Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

“Assignment of Marks” has the meaning set forth in Section 2.2 herein.

“PTO” means the United States Patent and Trademark Office.

“Trademark Collateral” has the meaning set forth in Section 2.1 herein.

1.3 Rules of Construction. Unless otherwise provided herein, the rules of construction set forth in Section 1.2 of the Security Agreement shall be applicable to this Agreement.

## 2.

### GRANT OF SECURITY INTEREST.

2.1 Security Interest. As collateral security for the payment and performance in full of all of the Secured Liabilities, the Grantor hereby pledges and grants to the Collateral Agent, for the benefit of the Collateral Agent and the ratable benefit of the Noteholders, a continuing security interest in and first priority lien on all of such Grantor’s rights, title and interests in all Trademarks, Trademark Licenses, Trade Secrets and Trade Secret Licenses, including the Trademarks, Trademark Licenses and Trade Secret Licenses referred to on Schedule A hereto (as such schedule may be amended or supplemented from time to time), in each case whether now or hereafter existing or arising or in which such Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Trademark Collateral”).

2.2 Assignment of Trademarks upon Default. The Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Trademarks that constitute Trademark Collateral in the form attached as Annex 1 hereto (each an “Assignment of Trademarks”) for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, the Grantor hereby authorizes the Collateral Agent to complete, execute and record with the PTO an Assignment of Trademarks on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement.

2.3 Conditional Assignment. In addition to, and not by way of limitation of, the grant and pledge of the Trademark Collateral provided in Section 2.1, the Grantor grants, assigns, transfers, conveys and sets over to the Collateral Agent, for the benefit of the Noteholders, such Grantor’s entire right, title and interest in and to the Trademark Collateral; *provided*, that such grant, assignment, transfer and conveyance shall be and become of force and effect only (a) in connection with the Collateral Agent’s exercise of its rights and remedies in strict accordance with the terms of the Security Agreement, and (b) upon or after the occurrence and during the continuance of an Event of Default and (c) either (i) upon the written demand of the Collateral Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by the Collateral Agent) upon an Event of Default for which acceleration of the payment of the Notes is automatic under the Indenture or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by the Grantor to the Collateral Agent or its nominee in lieu of foreclosure).

**2.4** Supplemental to Security Agreement. Pursuant to the Security Agreement the Grantor has granted to the Collateral Agent, for the benefit of the Noteholders, a continuing security interest in and first lien on the Collateral (including the Trademark Collateral). The Security Agreement, and all rights and interests of the Collateral Agent in and to the Collateral (including the Trademark Collateral) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Agreement, the grant, assignment, transfer and conveyance of the Trademark Collateral hereunder, or the recordation of this Agreement (or any other document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Collateral Agent in the Collateral (including the Trademark Collateral) pursuant to the Security Agreement, the attachment and perfection of such security interest under the UCC (including the security interest in the Trademark Collateral), or any present or future rights and interests of the Collateral Agent in and to the Collateral under or in connection with the Security Agreement or the UCC. Any and all rights and interests of the Collateral Agent in and to the Trademark Collateral (and any and all obligations of the Grantor with respect to the Trademark Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Collateral Agent (and the obligations of the Grantor) in, to or with respect to the Collateral (including the Trademark Collateral) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

**3.**  
**AFTER-ACQUIRED TRADEMARKS**

**3.1** After-acquired Trademarks. If, after the execution of the Agreement and before the end of the Security Period, the Grantor shall obtain any right, title or interest in or to any other or new Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses or become entitled to the benefit of any Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.



**3.2**        Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement and the Assignments of Trademarks, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Trademarks to include any future or other Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses that become part of the Trademark Collateral under Section 2 or Section 3.1.

**4.**  
**GOVERNING LAW; CONSENT TO JURISDICTION.**

This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Trademark Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

**5.**  
**MISCELLANEOUS.**

(a)        Headings. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Collateral Agent, the Noteholders and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Grantor acknowledges receipt of a copy of this Agreement.

(b)        Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signatures begin on next page]

**IN WITNESS WHEREOF**, this Trademark Security and Pledge Agreement has been executed and delivered by its duly authorized officer as of the day and year first above written.

[                    ], as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**U.S. Bank National Association**, as Collateral Agent

By: \_\_\_\_\_  
Name:  
Title:

**Schedule A**  
**to the Trademark Security and Pledge Agreement**  
*(to be completed by the Grantor)*

Grantor: [                      ]

United States Trademark Registrations of Grantor

<b>Trademark</b>	<b>Registration No./ Application No.</b>	<b>Registration Date/ Application Date</b>

**ANNEX 1**  
**ASSIGNMENT OF TRADEMARKS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the trademarks (the "Trademarks") identified on the Annex hereto, and is the owner of such Patents; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Trademarks;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Trademark Security and Pledge Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, Trademark Collateral Agreement"). Capitalized terms used and not defined herein have the meanings given such terms in the Trademark Collateral Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Trademarks, together with (i) the Trademarks, Trademark Licenses and Trade Secret Licenses identified on the Annex attached hereto and incorporated herein by reference, (ii) the goodwill of the business symbolized by and associated with the Trademarks, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements of or damage or injury to the Trademarks or such associated goodwill.

This Assignment of Trademarks is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Trademarks below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Trademarks by the Assignor to the Assignee is hereby accepted as of the \_\_\_ day of \_\_\_\_\_, 20\_\_.

**U.S. Bank National Association**

By: \_\_\_\_\_

Name:

Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )

) ss.

COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

My commission expires:

ANNEX

U.S. TRADEMARK REGISTRATIONS AND APPLICATIONS

<u>Title</u>	<u>App. No. Filing Date</u>	<u>Reg. No. Issue Date</u>	<u>Security Interest</u>

**EXHIBIT 3**

**Form of Copyright Security Agreement**

**(see attached)**

## FORM OF COPYRIGHT SECURITY AGREEMENT

This **COPYRIGHT SECURITY AGREEMENT**, dated as of [            ], 2013 (as amended, restated, amended and restated or otherwise modified, this "Agreement"), is made by [            ], a [            ] corporation (the "Grantor") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantor has guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantor and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantor shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Copyright Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

SECTION 1.            Defined Terms. Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

"Assignment of Copyrights" has the meaning set forth in Section 2.2 herein.

"Copyright Collateral" has the meaning set forth in Section 2.1 herein.



SECTION 2.

2.1 Grant of Security Interest in Copyright Collateral. Each Grantor hereby pledges and grants to Collateral Agent, for the benefit of the Noteholders, a security interest in all of such Grantor's right, title and interest in, to and under the Copyrights and Copyright Licenses, including the Copyrights and Copyright Licenses referred to on Schedule I hereto, whether presently existing or hereafter created or acquired (collectively, the "Copyright Collateral").

2.2 Assignment of Copyrights upon Default. Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Copyrights and Copyright Licenses that constitute Copyright Collateral in substantially the form of Annex 1 hereto (each an "Assignment of Copyrights") for the sole purpose of effecting the Collateral Agent's exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, each Grantor hereby authorizes the Collateral Agent to complete, execute and record with the United States Copyright Office an Assignment of Copyrights on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent's exercise of its remedies under Section 8 of the Security Agreement.

SECTION 3. Security Agreement. The security interest granted pursuant to this Agreement is granted in conjunction with the security interest granted to the Collateral Agent for the Noteholders pursuant to the Security Agreement and Grantors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Agreement is deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall control.

SECTION 4. After-Acquired Copyrights. If, after the execution of the Agreement and before the end of the Security Period, the Grantor shall obtain any right, title or interest in or to any other or new Copyrights or Copyright Licenses or become entitled to the benefit of any Copyrights or Copyright Licenses, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

SECTION 5. MISCELLANEOUS

5.1 Applicable Law. This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Copyright Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

5.2 Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Copyrights to include any future or other Copyrights or Copyright Licenses that become part of the Copyright Collateral under Section 2 or Section 4.

SECTION 6. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, each Grantor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

[ \_\_\_\_\_ ],  
as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**U.S. Bank National Association,**  
as Collateral Agent

By: \_\_\_\_\_  
Name:  
Title:

SCHEDULE I  
to  
COPYRIGHT SECURITY AGREEMENT

COPYRIGHT REGISTRATIONS AND APPLICATIONS

**Registrations**

*Registration No.*

*Registration Date*

*Title*

**Applications**

*Application No.*

*Application Date*

*Title*

**ANNEX 1**  
**ASSIGNMENT OF COPYRIGHTS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the copyrights (the "Copyrights") identified on the Annex hereto, and is the owner of such Copyrights; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Copyrights;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Copyright Security Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, Copyright Security Agreement). Capitalized terms used and not defined herein have the meanings given such terms in the Copyright Security Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Copyrights and Copyright Licenses, including the Copyrights and Copyright Licenses identified on the Annex attached hereto and incorporated herein by reference.

This Assignment of Copyrights is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Copyrights below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Copyrights by the Assignor to the Assignee is hereby accepted as of the \_\_\_ day of \_\_\_\_\_, 20\_\_.

**U.S. Bank National Association**

By: \_\_\_\_\_

Name:

Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )

) ss.

COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

My commission expires:

ANNEX

COPYRIGHT REGISTRATIONS AND APPLICATIONS

<u>Title</u>	<u>App. No. Filing Date</u>	<u>Reg. No. Issue Date</u>	<u>Security Interest</u>

**SECURITY AGREEMENT**

**DATED FEBRUARY 12, 2013**

**between**

**EACH OF THE GRANTORS PARTY HERETO**

**and**

**U.S. BANK NATIONAL ASSOCIATION**

**as Collateral Agent**

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## CONTENTS

Clause		Page
1.	Interpretation	1
2.	Secured liabilities	6
3.	Creation of security	6
4.	Perfection and further assurances	7
5.	Representations and warranties	9
6.	Undertakings	13
7.	When security becomes enforceable	16
8.	Enforcement of security	16
9.	Application of proceeds	20
10.	Expenses and indemnity	20
11.	Evidence and calculations	21
12.	Changes to the parties	22
13.	Miscellaneous	22
14.	Severability	22
15.	Release	23
16.	Notices	23
17.	Governing law	24
18.	Enforcement	24
	<b>SCHEDULE 1 COMMERCIAL TORT CLAIMS</b>	27
	<b>SCHEDULE 2 INTELLECTUAL PROPERTY</b>	28
	<b>SIGNATORIES</b>	32
	EXHIBIT 1 Form of Patent Security and Pledge Agreement	
	EXHIBIT 2 Form of Trademark Security and Pledge Agreement	
	EXHIBIT 3 Form of Copyright Security Agreement	

**THIS AGREEMENT** is dated February 12, 2013

**BETWEEN:**

- (1) **LIGGETT GROUP LLC**, a Delaware limited liability company, and **100 MAPLE LLC**, a Delaware limited liability company, as grantors (each a **Grantor** and, collectively, the **Grantors**); and
- (2) **U.S. BANK NATIONAL ASSOCIATION**, as collateral agent for the Noteholders under the Indenture described below (in this capacity, the **Collateral Agent**).

**BACKGROUND:**

The Grantors enter into this Agreement in connection with the Indenture dated February 12, 2013 (the **Indenture**) by and among Vector Group Ltd. (**Vector Group**), the Guarantors party thereto and U.S. Bank National Association, as trustee (the **Trustee**) under the Indenture. Pursuant to the Indenture, Vector Group is issuing Notes and the Grantors are guaranteeing the Notes as provided in the Indenture. The Grantors now wish to secure their obligations under the Indenture by entering into this Agreement.

**IT IS AGREED** as follows:

**1. INTERPRETATION**

**1.1 Definitions**

In this Agreement:

**ABL Debt** has the meaning given to that term in the Intercreditor Agreement.

**Affiliate** means, with respect to a specified Person, any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person.

The term **Collateral** means all personal property, wherever located, in which any Grantor now has or later acquires any right, title or interest, including all:

- (a) accounts;
- (b) goods (including equipment, inventory and fixtures);
- (c) health-care-insurance receivables;
- (d) instruments (including promissory notes);
- (e) documents;
- (f) letter-of-credit rights;

- (g) general intangibles (including payment intangibles and software);
- (h) the commercial tort claims described in Schedule 1 (Commercial Tort Claims);
- (i) supporting obligations;
- (j) Intellectual Property;

and to the extent not listed above as original Collateral, proceeds and products of, and accessions to, each of the above assets. The term **Collateral** excludes (i) any property, right or interest in which a security interest may not be granted under applicable law, (ii) any equity interest of a Grantor in any Affiliate of such Grantor, (iii) any equipment to the extent a grant of a security interest in such equipment would be precluded by or require a consent under the terms and conditions of any existing or future purchase money or other financing of such equipment permitted under the terms of the Indenture, (iv) any intent-to-use trademark application prior to the filing of a “Statement of Use” or “Amendment to Allege Use” with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law, (v) any aircraft, aircraft engines or motor vehicles, (vi) any deposit accounts, (vii) any cash and (viii) any investment property.

**Copyright Licenses** shall mean any and all agreements, licenses and covenants providing for the granting of any right in or to Copyrights or otherwise providing for a covenant not to sue (whether a Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading “Copyright Licenses” (as such schedule may be amended or supplemented from time to time).

**Copyrights** shall mean all United States copyrights (including Community designs), including but not limited to copyrights in software and all rights in and to databases, and all Mask Works (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, moral rights, reversionary interests, termination rights, and, with respect to any and all of the foregoing: (a) all registrations and applications therefor including, without limitation, the registrations and applications required to be listed in Schedule 2 under the heading “Copyrights” (as such schedule may be amended or supplemented from time to time), (b) all extensions and renewals thereof, (c) all rights to sue for past, present and future infringements thereof, and (d) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

**Event of Default** means an event specified as such in Clause 8.1 (Events of Default).

**Finance Documents** means the Indenture, all Notes issued from time to time under the Indenture, the Purchase Agreement, the Registration Rights Agreement, this Agreement and all other pledges, security agreements, control agreements and all other agreements and documents entered into the connection with the transactions contemplated by the Indenture.

**First Priority Debt** has the meaning given to that term in the Intercreditor Agreement.

**Guarantors** means the Grantors and the other guarantors under the Indenture.

**Intellectual Property** shall mean, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets, and the Trade Secret Licenses.

**Intellectual Property Licenses** shall mean, collectively, the Copyright Licenses, Patent Licenses, Trademark Licenses and Trade Secret Licenses.

**Intercreditor Agreement** means that the Intercreditor and Lien Subordination Agreement dated February 12, 2013 between Wells Fargo Bank, National Association, the Collateral Agent, Liggett Group LLC and 100 Maple LLC.

**Lien** means any security interest, lien, mortgage, pledge, encumbrance, charge, assignment, hypothecation, adverse claim, claim, or restriction on assignment, transfer or pledge or any other arrangement having the effect of conferring security.

**Note** means any note issued from time to time under the Indenture, including any exchange notes.

**Noteholder** means any Person which from time to time is the holder of a Note.

**Obligors** means Vector Group and the Guarantors.

**Patent Licenses** shall mean all agreements, licenses and covenants providing for the granting of any right in or to Patents or otherwise providing for a covenant not to sue (whether a Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading "Patent Licenses" (as such schedule may be amended or supplemented from time to time).

**Patents** shall mean all United States patents and certificates of invention, or similar industrial property rights, and applications for any of the foregoing, including, but not limited to: (a) each patent and patent application required to be listed in Schedule 2 hereto under the heading "Patents" (as such schedule may be amended or supplemented from time to time), (b) all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (c) all inventions and improvements described therein, (d) all rights to sue for past, present and future infringements thereof, (e) all licenses, claims, damages, and proceeds of suit arising therefrom, and (f) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**Person** means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, government or any department or agency thereof or any entity similar to any of the foregoing.

**Priority Liens** means the Liens securing the First Priority Debt.

**Relevant State** means the state under whose laws a Grantor is incorporated or organized.

**Secured Liabilities** means each liability and obligation specified in Clause 2 (Secured Liabilities).

**Security** means any security interest created by this Agreement.

**Security Period** means the period beginning on the date of this Agreement and ending on the date on which all the Secured Liabilities have been indefeasibly, unconditionally and irrevocably paid and discharged in full. The Security Period will be extended to take into account any extension or reinstatement of this Agreement under Clause 3.2(b) (General). Furthermore, if the Noteholders holding a majority in aggregate principal amount of the then outstanding Notes consider that an amount paid to the Collateral Agent or a Noteholder under a Finance Document is capable of being avoided or otherwise set aside on the bankruptcy, liquidation, insolvency or administration of the payer or otherwise then that amount will not be considered to have been irrevocably paid for the purposes of this Agreement.

**Trademark Licenses** shall mean any and all agreements, licenses and covenants providing for the granting of any right in or to Trademarks or otherwise providing for a covenant not to sue or permitting co-existence (whether a Grantor is licensee or licensor thereunder) including, without limitation, each agreement required to be listed in Schedule 2 under the heading "Trademark Licenses" (as such schedule may be amended or supplemented from time to time).

**Trademarks** shall mean all United States trademarks, trade names, corporate names, company names, business names, fictitious business names, Internet domain names, service marks, certification marks, collective marks, logos, other source or business identifiers, designs and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to: (a) the registrations and applications referred to in Schedule 2 under the heading "Trademarks" (as such schedule may be amended or supplemented from time to time), (b) all extensions or renewals of any of the foregoing, (c) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (d) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (e) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**Trade Secret Licenses** shall mean any and all agreements providing for the granting of any right in or to Trade Secrets (whether a Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 2 under the heading "Trade Secret Licenses" (as such schedule may be amended or supplemented from time to time).

**Trade Secrets** shall mean all trade secrets and all other confidential or proprietary information and know-how whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating, or referring in any way to such Trade Secret, including but not limited to: (a) the right to sue for past, present and future misappropriation or other violation of any Trade Secret, and (b) all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

**UCC** means the Uniform Commercial Code as in effect from time to time in the State of New York.

## 1.2 Construction

- (a) Any term defined in the UCC and not defined in this Agreement has the meaning given to that term in the UCC.
- (b) Any term defined in the Indenture and not defined in this Agreement or the UCC has the meaning given to that term in the Indenture.
- (c) No reference to **proceeds** in this Agreement authorizes any sale, transfer or other disposition of Collateral by a Grantor.
- (d) In this Agreement, unless the contrary intention appears, a reference to:
  - (i) an **amendment** includes a supplement, novation, restatement or re-enactment and **amended** will be construed accordingly;
  - (ii) a Clause, a Subclause, an Exhibit or a Schedule is a reference to a Clause or Subclause of, or an Exhibit or Schedule to, this Agreement;
  - (iii) a law is a reference to that law as amended or re-enacted and to any successor law;
  - (iv) an agreement is a reference to that agreement as amended;
  - (v) **fraudulent transfer law** means any applicable U.S. Bankruptcy Law or state fraudulent transfer or conveyance statute, and the related case law; and
  - (vi) **law** includes any law, statute, regulation, regulatory requirement, rule, ordinance, ruling, decision, treaty, directive, order, guideline, regulation, policy, writ, judgment, injunction or request of any court or other governmental, inter-governmental or supranational body, officer or official, fiscal or monetary authority, or other ministry or public entity (and their interpretation, administration and application), whether or not having the force of law.
- (e) In this Agreement:
  - (i) **includes** and **including** are not limiting;

(ii) **or** is not exclusive; and

(iii) the headings are for convenience only, do not constitute part of this Agreement and are not to be used in construing it.

## **2. SECURED LIABILITIES**

### **2.1 Secured Liabilities**

Each obligation and liability whether:

- (a) present or future, actual, contingent or unliquidated; or
- (b) owed jointly or severally (or in any other capacity whatsoever),

of any Grantor to any Noteholder under or in connection with each Finance Document is a Secured Liability.

### **2.2 Specification of Secured Liabilities**

The Secured Liabilities include any liability or obligation for:

- (a) repayment of the principal of any Note;
- (b) payment of interest and any other amount payable under the Financing Documents;
- (c) payment and performance of all other obligations and liabilities of any Obligor under the Finance Documents;
- (d) payment of any amount owed under any amendment, modification, renewal, extension or novation of any of the above obligations; and
- (e) payment of an amount which arises after a petition is filed by, or against, any Obligor under the US Bankruptcy Code of 1978 even if the obligations do not accrue because of the automatic stay under Section 362 of the US Bankruptcy Code of 1978 or otherwise.

## **3. CREATION OF SECURITY**

### **3.1 Security Interest**

As security for the prompt and complete payment and performance of the Secured Liabilities when due (whether due because of stated maturity, acceleration, mandatory prepayment, or otherwise) and to induce the Noteholders to purchase the Notes, the Grantors, jointly and severally, grant to the Collateral Agent for the benefit of the Noteholders a continuing security interest in the Collateral.

### 3.2 General

- (a) All the Security created under this Agreement:
  - (i) is continuing security for the irrevocable and indefeasible payment in full of the Secured Liabilities, regardless of any intermediate payment or discharge in whole or in part;
  - (ii) is in addition to, and not in any way prejudiced by, any other security now or subsequently held by the Collateral Agent.
- (b) If, at any time for any reason (including the bankruptcy, insolvency, receivership, reorganization, dissolution or liquidation of any Obligor or the appointment of any receiver, intervenor or conservator of, or agent or similar official for, any Obligor or any of their respective properties), any payment received by the Collateral Agent or any Noteholder in respect of the Secured Liabilities is rescinded or avoided or must otherwise be restored or returned by the Collateral Agent or any Noteholder, that payment will not be considered to have been made for purposes of this Agreement, and this Agreement will continue to be effective or will be reinstated, if necessary, as if that payment had not been made.
- (c) This Agreement is enforceable against the Grantors to the maximum extent permitted by the fraudulent transfer laws.

## 4. PERFECTION AND FURTHER ASSURANCES

### 4.1 General perfection

Each Grantor must take, at its own expense, promptly, and in any event within any applicable time limit:

- (a) whatever action is necessary or reasonably desirable; and
- (b) any action which the Collateral Agent may reasonably require,

to ensure that this Security is as of the date Notes are first issued under the Indenture, and will continue to be until the end of the Security Period, a validly created, attached, enforceable and perfected continuing security interest in the Collateral, subject to no Liens other than Permitted Liens (as defined in the Indenture) and subject in priority to no Liens other than Priority Liens and Permitted Liens (as defined in the Indenture), in all relevant jurisdictions, securing payment and performance of the Secured Liabilities.

This includes the giving of any notice, order or direction, the making of any filing or registration, the passing of any resolution and the execution and delivery of any documents or agreements which the Collateral Agent may require.



#### **4.2 Filing of financing statements**

- (a) Each Grantor authorizes the Collateral Agent to prepare and file, at such Grantor's expense:
  - (i) financing statements describing the Collateral;
  - (ii) continuation statements; and
  - (iii) any amendment in respect of those statements.
- (b) Promptly after filing an initial financing statement in respect of the Collateral, each Grantor must provide the Collateral Agent with an official report from the Secretary of State of such Grantor's Relevant State indicating that the Collateral Agent's security interest in the Collateral provided by such Grantor incorporated or organized under the laws of such Relevant State is prior to all other security interests or other interests reflected in the report other than Liens securing the ABL Debt or other Permitted Liens (as defined in the Indenture).

#### **4.3 Intellectual Property Recording Requirements**

- (a) In the case of any Collateral consisting of U.S. Patents and Patent Licenses in respect of U.S. Patents for which any Grantor is the licensee, such Grantor shall execute and deliver to the Collateral Agent a Patent Security Agreement in substantially the form of Exhibit 1 hereto (or a supplement thereto) covering all such Patents and Patent Licenses in appropriate form for recordation with the U.S. Patent and Trademark Office with respect to the security interest of the Collateral Agent.
- (b) In the case of any Collateral consisting of U.S. Trademarks and Trademark Licenses in respect of U.S. Trademarks for which any Grantor is the licensee, such Grantor shall execute and deliver to the Collateral Agent a Trademark Security Agreement in substantially the form of Exhibit 2 hereto (or a supplement thereto) covering all such Trademarks and Trademark Licenses in appropriate form for recordation with the U.S. Patent and Trademark Office with respect to the security interest of the Collateral Agent.
- (c) In the case of any Collateral consisting of registered U.S. Copyrights and Copyright Licenses in respect of U.S. Copyrights for which any Grantor is the licensee, such Grantor execute and deliver to the Collateral Agent a Copyright Security Agreement in substantially the form of Exhibit 3 hereto (or a supplement thereto) covering all such Copyright and Copyright Licenses in appropriate form for recordation with the U.S. Copyright Office with respect to the security interest of the Collateral Agent.

#### **4.4 Further assurances**

- (a) The Grantors must take, at their own expense, promptly, and in any event within any applicable time limit, whatever action may reasonably be required under the Indenture or this Agreement:
  - (i) creating, attaching, perfecting and protecting, and maintaining the priority of, any security interest intended to be created by this Agreement;

- (ii) facilitating the enforcement of this Security or the exercise of any right, power or discretion exercisable by the Collateral Agent or any of its delegates or sub-delegates in respect of any Collateral; and
- (iii) facilitating the assignment or transfer of any rights and/or obligations of the Collateral Agent under this Agreement.

This includes the execution and delivery of any transfer, assignment or other agreement or document, whether to the Collateral Agent or its nominee, which the Collateral Agent may require.

- (b) Each Grantor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as such Grantor's true and lawful attorney-in-fact, in such Grantor's name or in the Collateral Agent's name or otherwise, and at such Grantor's expense, to take any of the actions referred to in paragraph (a) above without notice to or the consent of such Grantor. This power of attorney is a power coupled with an interest and cannot be revoked. Each Grantor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.

## **5. REPRESENTATIONS AND WARRANTIES**

### **5.1 Representations and warranties**

The representations and warranties set out in this Clause are made by each Grantor to the Collateral Agent and each Noteholder.

### **5.2 The Grantors**

- (a) It is organized under the laws of the state indicated in the preamble to this Agreement.
- (b) In the case of Liggett Group LLC:
  - (i) Its exact legal name, as it appears in the public records of its jurisdiction organization, is as stated in the preamble to this Agreement. It has not changed its name, whether by amendment of its organizational documents, reorganization, merger or otherwise, since its date of organization, December 13, 2005.
  - (ii) Its organizational identification number, as issued by its jurisdiction of organization is 2232980.
- (c) In the case of 100 Maple LLC:
  - (i) Its exact legal name, as it appears in the public records of its jurisdiction organization, is as stated in the preamble to this Agreement. It has not changed its name, whether by amendment of its organizational documents, reorganization, merger or otherwise, since its date of organization, May 3, 1999.

- (ii) Its organizational identification number, as issued by its jurisdiction of organization is 3037646.
- (d) It keeps at its address indicated in Clause 16 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Collateral.

### **5.3 The Collateral**

- (a) Except as permitted under the Indenture:
  - (i) it is the sole legal and beneficial owner of, and has the power to transfer and grant a security interest in, the Collateral;
  - (ii) none of the Collateral is subject to any Lien other than the Collateral Agent's security interest and Liens securing the ABL Debt;
  - (iii) it has not agreed or committed to sell, assign, pledge, transfer, license, lease or encumber any of the Collateral, or granted any option, warrant or right with respect to any of the Collateral; and
  - (iv) no effective mortgage, deed of trust, financing statement, security agreement or other instrument similar in effect is on file or of record with respect to any Collateral, except for those that create, perfect or evidence the Collateral Agent's security interest or Liens securing the ABL Debt.
- (b) No litigation, arbitration or administrative proceedings are current or pending or, to its knowledge, threatened, involving or affecting the Collateral, and none of the Collateral is subject to any order, writ, injunction, execution or attachment.

### **5.4 No liability**

- (a) Its rights, interests, liabilities and obligations under contractual obligations that constitute part of the Collateral are not affected by this Agreement or the exercise by the Collateral Agent of its rights under this Agreement;
- (b) Neither the Collateral Agent nor any Noteholder, unless it expressly agrees in writing, will have any liabilities or obligations under any contractual obligation that constitutes part of the Collateral as a result of this Agreement, the exercise by the Collateral Agent of its rights under this Agreement or otherwise; and
- (c) Neither the Collateral Agent nor any Noteholder has or will have any obligation to collect upon or enforce any contractual obligation or claim that constitutes part of the Collateral, or to take any other action with respect to the Collateral.

## 5.5 Consideration and solvency

- (a) Terms used in this Clause have the meanings given to them in, and must be construed in accordance with, the fraudulent transfer laws.
- (b) It will receive valuable direct and indirect benefits as a result of the transactions financed by the issuance of the Notes and these benefits constitute reasonably equivalent value and fair consideration.
- (c) To the best of its knowledge, the Collateral Agent and the Noteholders have acted in good faith in connection with the transactions contemplated by this Agreement.
- (d) The sum of its debts (including its obligations under this Agreement) is less than the value of its property (calculated at the lesser of fair valuation and present fair saleable value).
- (e) Its capital is not unreasonably small to conduct its business as currently conducted or as proposed to be conducted.
- (f) It has not incurred, does not intend to incur and does not believe it will incur debts beyond its ability to pay as they mature.
- (g) It has not made a transfer or incurred an obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors.

## 5.6 Intellectual Property

- (a) It is the sole and exclusive owner of the entire right, title, and interest in and to all Intellectual Property listed on Schedule 2 (as such schedule may be amended or supplemented from time to time), and owns or has the valid right to use and, where such Grantor does so, sublicense others to use, all other Intellectual Property used in or necessary to conduct its business, free and clear of all Liens, claims, encumbrances and licenses, except for Permitted Liens (as defined in the Indenture) and the licenses set forth on Schedule 2 (as such schedule may be amended or supplemented from time to time).
- (b) All Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, nor, in the case of Patents, is any of the Intellectual Property the subject of a reexamination proceeding, and such Grantor has performed all acts and has paid all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Copyrights, Patents and Trademarks in full force and effect.
- (c) All Intellectual Property is valid and enforceable; no holding, decision, ruling, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity or scope of, such Grantor's right to register, or such Grantor's rights to own or use, any Intellectual Property and no such action or proceeding is pending or, to the best of such Grantor's knowledge, threatened.

- (d) All registrations and applications for Copyright registrations, Patents and Trademark registrations are standing in the name of such Grantor, and none of the Trademarks, Patents, Copyrights or Trade Secrets has been licensed by any Grantor to any Affiliate or third party, except as disclosed in Schedule 2 (as such schedule may be amended or supplemented from time to time), and all exclusive Copyright Licenses have been properly recorded in the U.S. Copyright Office.
- (e) Such Grantor has not made a previous assignment, sale, transfer, exclusive license or agreement constituting a present or future assignment, sale, transfer, exclusive license or agreement of any Intellectual Property that has not been terminated or released.
- (f) Such Grantor has been using appropriate statutory notice of registration in connection with its use of registered Trademarks, proper marking practices in connection with the use of Patents, and appropriate notice of copyright in connection with the publication of Copyrights.
- (g) Such Grantor uses adequate standards of quality in the manufacture, distribution, and sale of all products sold and in the provision of all services rendered under or in connection with all Trademark Collateral and has taken all action necessary to insure that all licensees of the Trademark Collateral owned by such Grantor use such adequate standards of quality.
- (h) The conduct of such Grantor's business does not infringe upon or misappropriate or otherwise violate any trademark, patent, copyright, trade secret or other intellectual property right of any other Person; no claim has been made that the use of any Intellectual Property owned or used by such Grantor (or any of its respective licensees) infringes upon, misappropriates or otherwise violates the asserted rights of any other Person, and no demand that such Grantor enter into a license or co-existence agreement has been made but not resolved.
- (i) To the best of such Grantor's knowledge, no other Person is infringing upon, misappropriating or otherwise violating any rights in any Intellectual Property owned, licensed or used by such Grantor, or any of its respective licensees.
- (j) No settlement or consents, covenants not to sue, co-existence agreements, non-assertion assurances, or releases have been entered into by such Grantor or binds such Grantor in a manner that could adversely affect such Grantor's rights to own, license or use any Intellectual Property.

**5.7 Times for making representations and warranties**

- (a) The representations and warranties set out in this Agreement (including in this Clause) are made on the date of this Agreement.

- (b) Unless a representation and warranty is expressed to be given at a specific date, all representations and warranties under this Agreement are deemed to be repeated by the Grantors on the date of each issuance of Notes under the Indenture with reference to the facts and circumstances then existing.
- (c) When representations and warranties are repeated, they are applied to the circumstances existing at the time of repetition.
- (d) The representations and warranties of the Grantors contained in this Agreement or made by any Grantor in any certificate, notice or report delivered under this Agreement will survive each issuance of Notes, the repayment of the Notes, and any transfer or assignment of the Notes.

## **6. UNDERTAKINGS**

### **6.1 Undertakings**

The Grantors agree to be bound by the covenants set out in this Clause.

### **6.2 The Grantors**

- (a) Except as permitted under the Indenture, each Grantor must preserve its limited liability company existence and will not, except as permitted by the Indenture, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets.
- (b) No Grantor may change the jurisdiction of its organization without providing the Collateral Agent with at least 30 days' prior written notice.
- (c) No Grantor may change its name without providing the Collateral Agent with at least 30 days' prior written notice.
- (d) Each Grantor must keep at its address indicated in Clause 16 (Notices) its corporate records and all records, documents and instruments constituting, relating to or evidencing Collateral.
- (e) Each Grantor will permit the Collateral Agent and its agents and representatives, during normal business hours and upon reasonable notice, to inspect the Collateral, to examine and make copies of and abstracts from the records referred to in paragraph (d) above, and to discuss matters relating to the Collateral directly with such Grantor's officers and employees.
- (f) At the Collateral Agent's request, the Grantors must provide the Collateral Agent with any information concerning the Collateral that the Collateral Agent may reasonably request.

### **6.3 The Collateral**

- (a) Except as expressly permitted by the Indenture or this Agreement, the Grantors:
  - (i) must maintain sole legal and beneficial ownership of the Collateral;
  - (ii) must not permit any Collateral to be subject to any Lien other than the Collateral Agent's security interest and Liens securing the ABL Debt and must at all times warrant and defend the Collateral Agent's security interest in the Collateral against all other Liens (other than Priority Liens) and claimants;
  - (iii) must not sell, assign, transfer, pledge, license, lease or further encumber, or grant any option, warrant, or right with respect to, any of the Collateral, or agree or contract to do any of the foregoing;
  - (iv) must not waive, amend or terminate, in whole or in part, any accessory or ancillary right or other right in respect of any Collateral; and
  - (v) must not take any action which would result in a reduction in the value of any Collateral.
- (b) The Grantors must pay when due (and in any case before any penalties are assessed or any Lien is imposed on any Collateral) all taxes, assessments and charges imposed on or in respect of Collateral and all claims against the Collateral, including claims for labor, materials and supplies.
- (c) In any suit, legal action, arbitration or other proceeding involving the Collateral or the Collateral Agent's security interest, the Grantors must take all lawful action to avoid impairment of the Collateral Agent's security interest or the Collateral Agent's rights under this Agreement or the imposition of a Lien (other than Permitted Liens (as defined in the Indenture)) on any Collateral.

### **6.4 Intellectual Property**

- (a) It shall not do any act or omit to do any act whereby any of the Intellectual Property which is material to the business of such Grantor or which is of material value may lapse, or become abandoned, dedicated to the public, or unenforceable, or which would adversely affect the validity, grant, or enforceability of the security interest granted therein.
- (b) It shall not, with respect to any Trademarks, cease the use of any of such Trademarks or fail to maintain the level of the quality of products sold and services rendered under any of such Trademark at a level at least substantially consistent with the quality of such products and services as of the date hereof, and such Grantor shall take all steps necessary to insure that licensees of such Trademarks use such consistent standards of quality.

- (c) It shall, within thirty (30) days of the creation or acquisition or exclusive license of any Copyrightable work which is material to the business of such Grantor or otherwise of material value, apply to register the Copyright and, in the case of an exclusive Copyright License, record such license, in the United States Copyright Office.
- (d) It shall promptly notify the Collateral Agent if it knows or has reason to know that any item of Intellectual Property material to its business may become (i) abandoned or dedicated to the public or placed in the public domain, (ii) invalid or unenforceable, (iii) subject to any adverse determination or development (including the institution of proceedings) in any action or proceeding in the United States Patent and Trademark Office, the United States Copyright Office or (iv) be the subject of any reversion or termination rights.
- (e) It shall take all reasonable steps in the United States Patent and Trademark Office, the United States Copyright Office to pursue any application and maintain any registration of each Trademark, Patent, and Copyright owned by or exclusively licensed to such Grantor which is now or shall become included in the Intellectual Property including, but not limited to, those items on Schedule 2 (as such may be amended or supplemented from time to time).
- (f) It shall hereafter use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way materially impair or prevent the creation of a security interest in, or the assignment of, such Grantor's rights and interests in any property included within the definitions of any Intellectual Property acquired under such contracts.
- (g) In the event that any Intellectual Property owned by or exclusively licensed to the Grantor is infringed, misappropriated, or diluted by a third party, such Grantor shall promptly take all reasonable actions to stop such infringement, misappropriation, or dilution and protect its rights in such Intellectual Property including, but not limited to, the initiation of a suit for injunctive relief and to recover damages.
- (h) It shall take all steps reasonably necessary to protect the secrecy of all Trade Secrets, including, without limitation, entering into confidentiality agreements with employees and consultants and labeling and restricting access to secret information and documents.
- (i) It shall use proper statutory notice in connection with its use of any of the Intellectual Property.
- (j) It shall continue to collect, at its own expense, all amounts due or to become due to such Grantor in respect of the Intellectual Property or any portion thereof. In connection with such collections, such Grantor may take (and, at the Collateral Agent's reasonable direction, shall take) such action as such Grantor or the Collateral Agent may deem reasonably necessary or advisable to enforce collection of such amounts. Notwithstanding the foregoing, the Collateral Agent shall have the right at any time, to notify, or require such Grantor to notify, any obligors with respect to any such amounts of the existence of the security interest created hereby.



## 6.5 Notices

- (a) The Grantors must give the Collateral Agent prompt notice of the occurrence of any of the following events:
- (i) any pending or threatened claim, suit, legal action, arbitration or other proceeding involving or affecting any Grantor or any Collateral which could reasonably be expected to impair the Collateral Agent's security interest or the Collateral Agent's rights under this Agreement or result in the imposition of a Lien (other than Permitted Liens (as defined in the Indenture)) on any Collateral;
  - (ii) any loss or damage to any material portion of the Collateral; or
  - (iii) any representation or warranty contained in this Agreement is or becomes untrue, incorrect or incomplete in any material respect.
- (b) Each notice delivered under this Clause, must include:
- (i) reasonable details about the event; and
  - (ii) the Grantors' proposed course of action.

Delivery of a notice under this Clause does not affect any Grantor's obligations to comply with any other term of this Agreement.

## 7. WHEN SECURITY BECOMES ENFORCEABLE

This Security may be enforced by the Collateral Agent at any time after an Event of Default has occurred.

## 8. ENFORCEMENT OF SECURITY

### 8.1 Events of Default

Each of the events set out in this Subclause is an Event of Default.

- (a) Any Grantor fails to comply with Clause 6.3(a) (The Collateral);
- (b) Any Grantor fails to comply with any other term of this Agreement or any Control Agreement unless the non-compliance:
- (i) is capable of remedy; and
  - (ii) is remedied within 14 days of the Collateral Agent giving notice to such Grantor;

- (c) A representation or warranty made or repeated in this Agreement or any Control Agreement, is untrue or incorrect in any material aspect when made or deemed to be repeated;
- (d) Any attachment, execution or levy is made in respect of any part of the Collateral; or
- (e) An “Event of Default” (as that term is defined in the Indenture) occurs.

## 8.2 General

- (a) After this Security has become enforceable, the Collateral Agent may immediately, in its absolute discretion but subject to the Intercreditor Agreement, exercise any right under:
  - (i) applicable law; or
  - (ii) this Agreement,

to enforce all or any part of the Security in respect of any Collateral in any manner or order it sees fit.

- (b) This includes:
  - (i) any rights and remedies available to the Collateral Agent under applicable law and under the UCC (whether or not the UCC applies to the affected Collateral and regardless of whether or not the UCC is the law of the jurisdiction where the rights or remedies are asserted) as if those rights and remedies were set forth in this Agreement in full;
  - (ii) transferring or assigning to, or registering in the name of, the Collateral Agent or its nominees any of the Collateral;
  - (iii) exercising any consent and other rights relating to any Collateral;
  - (iv) performing or complying with any contractual obligation that constitutes part of the Collateral;
  - (v) receiving, endorsing, negotiating, executing and delivering or collecting upon any check, draft, note, acceptance, account, instrument, document, letter of credit, contract, agreement, receipt, release, bill of lading, invoice, endorsement, assignment, bill of sale, deed, security, share certificate, stock power, proxy, or instrument of conveyance or transfer constituting or relating to any Collateral;
  - (vi) asserting, instituting, filing, defending, settling, compromising, adjusting, discounting or releasing any suit, action, claim, counterclaim, right of set-off or other right or interest relating to any Collateral;

- (vii) executing and delivering acquittances, receipts and releases in respect of Collateral; and
- (viii) exercising any other right or remedy available to the Collateral Agent under the other Finance Documents or any other agreement between the parties.

### **8.3 Collections after an Event of Default**

Subject to the rights of the holders of First Priority Debt under the Intercreditor Agreement:

- (a) if an Event of Default occurs and is continuing, the Grantors must hold all funds and other property received or collected in respect of the Collateral in trust for the Collateral Agent, and must keep these funds and this other property segregated from all other funds and property so as to be capable of identification;
- (b) the Grantors must deliver those funds and that other property to the Collateral Agent in the identical form received, properly endorsed or assigned when required to enable the Collateral Agent to complete collection; and
- (c) after the occurrence and during the continuation of an Event of Default, no Grantor may settle, compromise, adjust, discount or release any claim in respect of Collateral, and no Grantor may accept any returns of merchandise other than in the ordinary course of business.

### **8.4 Collateral Agent's rights upon default**

- (a) Each Grantor irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as such Grantor's true and lawful attorney-in-fact, in such Grantor's name or in the Collateral Agent's name or otherwise, and at such Grantor's expense, to take any of the actions authorized by this Agreement or permitted under applicable law upon the occurrence and during the continuation of an Event of Default, without notice to or the consent of such Grantor. This power of attorney is a power coupled with an interest and cannot be revoked. Each Grantor ratifies and confirms all actions taken by the Collateral Agent or its agents under this power of attorney.
- (b) The Grantors agree that 10 days' notice shall constitute reasonable notice in connection with any sale, transfer or other disposition of Collateral.
- (c) The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of Collateral.

- (d) The grant to the Collateral Agent under this Agreement of any right, power or remedy does not impose upon the Collateral Agent any duty to exercise that right, power or remedy. The Collateral Agent will have no obligation to take any steps to preserve any claim or other right against any person or with respect to any Collateral.
- (e) The Grantors bear the risk of loss, damage, diminution in value, or destruction of the Collateral.
- (f) The Collateral Agent will have no responsibility for any act or omission of any courier, bailee, broker, bank, investment bank or any other person chosen by it with reasonable care.
- (g) The Collateral Agent makes no express or implied representations or warranties with respect to any Collateral or other property released to the Grantors or their respective successors and assigns.
- (h) The Grantors agree that the Collateral Agent will have met its duty of care under applicable law if it holds, maintains and disposes of Collateral in the same manner that it holds, maintains and disposes of property for its own account.
- (i) Except as set forth in this Clause or as required under applicable law, the Collateral Agent will have no duties or obligations under this Agreement or otherwise with respect to the Collateral.
- (j) The sale, transfer or other disposition under this Agreement of any right, title, or interest of any Grantor in any item of Collateral will:
  - (i) operate to divest such Grantor permanently and all persons claiming under or through such Grantor of that right, title, or interest, and
  - (ii) be a perpetual bar, both at law and in equity, to any claims by such Grantor or any person claiming under or through such Grantor with respect to that item of Collateral.

#### **8.5 No marshaling**

- (a) The Collateral Agent need not, and the Grantors irrevocably waive and agree that they will not invoke or assert any law requiring the Collateral Agent to:
  - (i) attempt to satisfy the Secured Liabilities by collecting them from any other person liable for them; or
  - (ii) marshal any security or guarantee securing payment or performance of the Secured Liabilities or any particular asset of any Grantor.
- (b) The Collateral Agent may release, modify or waive any collateral or guarantee provided by any other person to secure any of the Secured Liabilities, without affecting the Collateral Agent's rights against the Grantors.

## 8.6 Grant of Intellectual Property License

For the purpose of enabling the Collateral Agent, during the continuance of an Event of Default, to exercise rights and remedies under this Clause 8 hereof at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Grantor hereby grants to the Collateral Agent, to the extent assignable, an irrevocable, non-exclusive license to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Grantor, wherever the same may be located. Such license shall be subject, in the case of Trademarks, to sufficient rights to quality control and inspection in favor of the Grantor to avoid the risk of invalidation of said Trademarks. Such license shall include access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof.

## 9. APPLICATION OF PROCEEDS

Any moneys received in connection with the Collateral by the Collateral Agent after this Security has become enforceable must be applied in the following order of priority:

- (a) **first**, in or towards payment of or provision for all costs and expenses incurred by the Collateral Agent in connection with the enforcement of this Security;
- (b) **second**, in or towards payment of, or provision for, the Secured Liabilities; and
- (c) **third**, in payment of the surplus (if any) to the Grantors or any other Person entitled to it under applicable law.

This Clause is subject to the prior payment of First Priority Debt in accordance with the terms of the Intercreditor Agreement and claims having priority over this Security under mandatory provisions of applicable law. This Clause does not prejudice the right of any Noteholder to recover any shortfall from the Grantors, and the preceding sentence shall not be deemed or interpreted as a waiver or modification of Clause 6.3(a) (The Collateral).

## 10. EXPENSES AND INDEMNITY

- (a) The Grantors must pay promptly on demand to the Collateral Agent all costs and expenses incurred by the Collateral Agent, any Noteholder, attorney, manager, delegate, sub-delegate, agent or other person appointed by the Collateral Agent under this Agreement for the purpose of enforcing its rights under this Agreement. This includes:
  - (i) costs of foreclosure and of any transfer, disposition or sale of Collateral;
  - (ii) costs of maintaining or preserving the Collateral or assembling it or preparing it for transfer, disposition or sale;
  - (iii) costs of obtaining money damages; and

- (iv) fees and expenses of attorneys employed by the Collateral Agent for any purpose related to this Agreement or the Secured Liabilities, including consultation, preparation and negotiation of any amendment or restructuring, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.
- (b) The Grantors must indemnify and keep indemnified the Collateral Agent, the Noteholders and their respective affiliates, directors, officers, representatives and agents from and against all claims, liabilities, obligations, losses, damages, penalties, judgments, costs and expenses of any kind (including attorney's fees and expenses) which may be imposed on, incurred by or asserted against any of them by any person (including any Noteholder) in any way relating to or arising out of:
  - (i) this Agreement;
  - (ii) the Collateral;
  - (iii) the Collateral Agent's security interest in the Collateral;
  - (iv) any Event of Default;
  - (v) any action taken or omitted by the Collateral Agent under this Agreement or any exercise or enforcement of rights or remedies under this Agreement; or
  - (vi) any transfer sale or other disposition of or any realization on Collateral.
- (c) The Grantors will not be liable to an indemnified party to the extent any liability results from that indemnified party's gross negligence or willful misconduct. Payment by an indemnified party will not be a condition precedent to the obligations of any Grantor under this indemnity.
- (d) The obligations of the Grantors under this Clause 10 (Expenses and Indemnity) are joint and several.
- (e) This Clause survives the issuance of the Notes, the repayment of the Notes, any transfer or assignment of the Notes and the termination of this Agreement.

## 11. EVIDENCE AND CALCULATIONS

In the absence of manifest error, the records of the Collateral Agent are conclusive evidence of the existence and the amount of the Secured Liabilities.

## **12. CHANGES TO THE PARTIES**

### **12.1 Grantors**

The Grantors may not assign, delegate or transfer any of their respective rights or obligations under this Agreement without the consent of the Collateral Agent, and any purported assignment, delegation or transfer in violation of this provision shall be void and of no effect.

### **12.2 Collateral Agent**

The Collateral Agent may assign or transfer its rights and obligations under this Agreement in the manner permitted under the Indenture.

### **12.3 Successors and assigns**

This Agreement shall be binding on and inure to the benefit of the respective successors and permitted assigns of the Grantors and the Collateral Agent.

## **13. MISCELLANEOUS**

### **13.1 Amendments and waivers**

Any term of this Agreement may be amended or waived only by the written agreement of the Grantors and the Collateral Agent.

### **13.2 Waivers and remedies cumulative**

- (a) The rights and remedies of the Collateral Agent under this Agreement:
  - (i) may be exercised as often as necessary;
  - (ii) are cumulative and not exclusive of its rights under applicable law; and
  - (iii) may be waived only in writing and specifically.
- (b) Delay in exercising, or non-exercise, of any right or remedy under this Agreement is not a waiver of that right or remedy.

### **13.3 Counterparts**

This Agreement may be executed in counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

## **14. SEVERABILITY**

If any term of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or

(b) the legality, validity or enforceability in any other jurisdiction of that or any other term of this Agreement.

**15. RELEASE**

At the end of the Security Period, the Collateral Agent must, at the request and cost of the Grantors, take whatever action is necessary to release the Collateral from this Security in accordance with the terms of the Indenture.

**16. NOTICES**

**16.1 Notices**

Any communication in connection with this Agreement must be in writing and, unless otherwise stated, must be given in person or by fax.

**16.2 Contact details**

(a) The contact details of the Grantors for this purpose are:

**Liggett Group LLC**

Address: 100 Maple Lane  
Mebane, NC 27302  
Fax: (919) 990-3505  
Attention: John R. Long

**100 Maple LLC**

Address: 100 S. E. Second Street  
32nd Floor  
Miami, FL 33131  
Fax: (919) 990-3505  
Attention: John R. Long

(b) The contact details of the Collateral Agent for this purpose are:

**U.S. Bank National Association**

Address: Global Corporate Trust Services  
60 Livingston Avenue  
EP-MN-WS3C  
St. Paul, MN 55107-2292  
Fax: (651) 466-7430  
Attention: Joshua A. Hahn

(c) Any party may change its contact details by giving five Business Days' notice to the other parties.



- (d) Where a party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

**16.3 Effectiveness**

- (a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:
  - (i) if delivered in person, at the time of delivery;
  - (ii) if by fax, when sent with confirmation of transmission.
- (b) A communication given under this Clause but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

**17. GOVERNING LAW**

This Agreement, the relationship between the Grantors, the Collateral Agent and the Noteholders and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any particular Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

**18. ENFORCEMENT**

**18.1 Jurisdiction**

- (a) Each of the Parties agree that any New York State court or Federal court sitting in the City and County of New York has jurisdiction to settle any disputes in connection with this Agreement and accordingly submits to the jurisdiction of those courts.
- (b) Each of the Parties:
  - (i) waives objection to the New York State and Federal courts on grounds of personal jurisdiction, inconvenient forum or otherwise as regards proceedings in connection with this Agreement; and
  - (ii) agrees that a judgment or order of a New York State or Federal court in connection with this Agreement is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

- (c) Nothing in this Clause limits the right of the Collateral Agent or any Noteholder to bring proceedings against any Grantor in connection with this Agreement:
  - (i) in any other court of competent jurisdiction; or
  - (ii) concurrently in more than one jurisdiction.

#### **18.2 Service of Process**

- (a) Liggett Group LLC irrevocably appoints The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 as its agent for service of process in relation to proceedings before any courts located in the State of New York in connection with this Agreement. 100 Maple LLC irrevocably appoints The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 as its agent for service of process in relation to proceedings before any courts located in the State of New York in connection with this Agreement.
- (b) Each Grantor agrees to maintain an agent for service of process in the State of New York until the end of the Security Period.
- (c) Each Grantor agrees that failure by a process agent to notify such Grantor of the process will not invalidate the proceedings concerned.
- (d) Each Grantor consents to the service of process relating to any proceedings by a notice given in accordance with Clause 16 (Notices) above.
- (e) If the appointment of any person mentioned in paragraph (a) above ceases to be effective, any affected Grantor must immediately appoint a further person in the State of New York to accept service of process on its behalf in the State of New York, and, if such Grantor does not appoint a process agent within 15 days, the Grantor authorizes the Collateral Agent to appoint a process agent for such Grantor.

#### **18.3 Complete Agreement**

This Agreement and the other Finance Documents contain the complete agreement between the parties on the matters to which they relate and supersede all prior commitments, agreements and understandings, whether written or oral, on those matters.

#### **18.4 Waiver of Jury Trial**

THE GRANTORS AND THE COLLATERAL AGENT (FOR ITSELF AND ON BEHALF OF THE NOTEHOLDERS) WAIVE ANY RIGHTS THEY MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED ON OR ARISING FROM THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

The undersigned, intending to be legally bound, have executed and delivered this Agreement on the date stated at the beginning of this Agreement.

**SCHEDULE 1**

**COMMERCIAL TORT CLAIMS**

**NONE.**

**SCHEDULE 2**

**INTELLECTUAL PROPERTY**

**COPYRIGHTS:**

***Registrations***

Liggett Group LLC – None.  
100 Maple LLC - None.

***Applications***

Liggett Group LLC - None.  
100 Maple LLC - None.

**COPYRIGHT LICENSES:**

Liggett Group LLC - None.  
100 Maple LLC - None.

**PATENTS:**

***Registrations***

Liggett Group LLC - None.  
100 Maple LLC - None.

***Applications***








Liggett Group LLC - None.  
100 Maple LLC - None.


**PATENT LICENSES:**

Liggett Group LLC - None.  
100 Maple LLC - None.

**TRADEMARKS:****Registrations**

Liggett Group LLC -

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
	Liggett Group LLC	78/526208 02-DEC-2004	3108068 20-JUN-2006
	Liggett Group LLC	76/386980 26-MAR-2002	2815517 17-FEB 2004
	Liggett Group LLC	74/395981 27-MAY-1993	1863305 15-NOV-1994
	Liggett Group LLC	74/259122 26-MAR-1992	1804692 16-NOV-1993
	Liggett Group LLC	73/654465 10-APR-1987	1462175 20-OCT-1987
	Liggett Group LLC	73/609530 07-JUL-1986	1434164 24-MAR-1987
	Liggett Group LLC	73/465819 15-FEB-1984	1327319 26-MAR-1985

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
	Liggett Group LLC	73/465818 15-FEB-1984	1344930 25-JUN-1985
BAILOUT	Liggett Group LLC	77/668575 11-FEB-2009	3944929 12-APR-2011
BAILOUT BRAND	Liggett Group LLC	77/668584 11-FEB-2009	3944930 12-APR-2011
BALANCE	Liggett Group LLC	72/453505 04-APR-1973	0978016 05-FEB-1974
BRONSON	Liggett Group LLC	74/349010 15-JAN-1993	1821601 15-FEB-1994
CANYON	Liggett Group LLC	74/461134 22-NOV-1993	2010445 22-OCT-1996
CLIKPAK FRESHNESS	Liggett Group LLC	77/365820 07-JAN-2008	3544810 09-DEC-2008
DEVON	Liggett Group LLC	72/142956 24-APR-1962	0743290 08-JAN-1963
DORADO	Liggett Group LLC	72/144395 11-MAY-1962	0739917 30-OCT-1962
EPIC	Liggett Group LLC	73/047852 27-MAR-1975	1029542 06-JAN-1976
EVE	Liggett Group LLC	72/314239 11-DEC-1968	0872454 08-JUL-1969
FM	Liggett Group LLC	72/131142 01-NOV-1961	0734059 10-JUL-1962
FREEDOM TO SNUS	Liggett Group LLC	76-686770 13-FEB-2008	3552434 30-DEC-2008
GOLD LEAF	Liggett Group LLC	73/100609 22-SEP-1976	1233860 05-APR-1983
GRAND PRIX	Liggett Group LLC	76/686769 13-FEB-2008	3,705,685 11/3/2009
GRAND PRIX	Liggett Group LLC	73/641310 23-JAN-1987	1453454 18-AUG-1987
LIGET	Liggett Group LLC	72/153363 25-SEP-1962	0745060 12-FEB-1963
LIGGETT GROUP	Liggett Group LLC	74/721242 28-AUG-1995	2023349 17-DEC-1996
LIGGETT SELECT	Liggett Group LLC	76/533449 30-JUL-2003	2961769 14-JUN-2005
LOWEST PRICE FIGHTER	Liggett Group LLC	78/712476 14-SEP-2005	3259428 03-JUL-2007
LYRIC	Liggett Group LLC	72/145948 1-JUN-1962	741833 11-DEC-1962
MONTEGO	Liggett Group LLC	74/461169 22-NOV-1993	1900071 13-JUN-1995

PARKWAY	Liggett Group LLC	72/145949 01-JUN-1962	0739918 30-OCT-1962
PELHAM	Liggett Group LLC	72/144396 11-MAY-1962	0751937 02-JUL-1963
PYRAMID	Liggett Group LLC	73/366688 26-MAY-1982	1273822 10-APR-1984
RENO	Liggett Group LLC	74/400551 11-JUN-1993	1865400 29-NOV-1994



<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
TASTE OF AMERICA	Liggett Group LLC	74/299936 31-JUL-1992	1802889 02-NOV-1993
YOU DESERVE A BAILOUT TOO!	Liggett Group LLC	77/670463 13-FEB-2009	3,819,299 13-JULY-2010

100 Maple LLC - None.

**Applications**

Liggett Group LLC -

<b>Mark</b>	<b>Owner</b>	<b>Appl. No. Filing Date</b>	<b>Reg. No. Reg. Date</b>
APEX	Liggett Group LLC	77/539165 05-AUG-2008	
CALYPSO	Liggett Group LLC	76/700975 12/23/2009	
DUKE'S	Liggett Group LLC	76/700976 12/23/2009	

100 Maple LLC - None.

**TRADEMARK LICENSES:**

Liggett Group LLC - None.

100 Maple LLC - None.

**TRADE SECRET LICENSES:**

Liggett Group LLC - None.

100 Maple LLC - None.

**SIGNATORIES**

IN WITNESS WHEREOF, the Grantors have caused this Security Agreement to be duly executed by its duly authorized officer as of the day and year first above written.

**Grantors**

LIGGETT GROUP LLC

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President, General Counsel and Secretary

100 MAPLE LLC

By: /s/ John R. Long  
Name: John R. Long  
Title: Secretary

*(Signature Page to Security Agreement – Liggett Group LLC and 100 Maple LLC)*

**Collateral Agent**

U.S. BANK NATIONAL ASSOCIATION  
as Collateral Agent

By: /s/ Joshua A. Hahn

Name: Joshua A. Hahn

Title: Assistant Vice President

*(Signature Page to Security Agreement – Liggett Group LLC and 100 Maple LLC)*

**EXHIBIT 1**

**FORM OF PATENT SECURITY AGREEMENT**

**(see attached)**

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**FORM OF  
PATENT SECURITY AND PLEDGE AGREEMENT**

This **PATENT SECURITY AND PLEDGE AGREEMENT**, dated as of [            ], 2013 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by [            ], a [            ] limited liability company and [            ], a [            ] limited liability company (the "Grantor") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantors have guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantors and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that each Grantor shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, each Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of such Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Patent and Trademark Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

**1.  
DEFINITIONS.**

**1.1        Terms Defined in the Security Agreement.** All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

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1.2 **Certain Defined Terms.** As used in this Agreement, the following terms shall have the following meanings:

“Assignment of Patents” has the meaning set forth in Section 2.2 herein.

“Patent Collateral” has the meaning set forth in Section 2.1 herein.

“PTO” means the United States Patent and Trademark Office.

1.3 **Rules of Construction.** Unless otherwise provided herein, the rules of construction set forth in Section 1.2 of the Security Agreement shall be applicable to this Agreement.

## 2.

### GRANT OF SECURITY INTEREST.

2.1 **Security Interest.** As collateral security for the payment and performance in full of all of the Secured Liabilities, each Grantor hereby grants to the Collateral Agent, for the benefit of the Collateral Agent and the ratable benefit of the Noteholders, a continuing security interest in and lien on all of such Grantor’s rights, title and interests in all Patents and Patent Licenses, including the Patents and Patent Licenses referred to on Schedule A hereto, in each case whether now or hereafter existing or arising or in which such Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Patent Collateral”).

2.2 **Assignment of Patents upon Default.** Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Patents and Patent Licenses that constitute Patent Collateral in substantially the form of Exhibit 1 hereto (each an “Assignment of Patents”) for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, each Grantor hereby authorizes the Collateral Agent to complete, execute and record with the PTO an Assignment of Patents on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement.

2.3 **Conditional Assignment.** In addition to, and not by way of limitation of, the grant and pledge of the Patent Collateral provided in Section 2.1, each Grantor grants, assigns, transfers, conveys and sets over to the Collateral Agent, for the benefit of the Noteholders, such Grantor’s entire right, title and interest in and to the Patent Collateral; *provided*, that such grant, assignment, transfer and conveyance shall be and become of force and effect only (a) in connection with the Collateral Agent’s exercise of its rights and remedies in strict accordance with the terms of the Security Agreement, and (b) upon or after the occurrence and during the continuance of an Event of Default and (c) either (i) upon the written demand of the Collateral Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by the Collateral Agent) upon an Event of Default for which acceleration of the payment of the Notes is automatic under the Indenture or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by any Grantor to the Collateral Agent or its nominee in lieu of foreclosure).

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**2.4**     Supplemental to Security Agreement. Pursuant to the Security Agreement the Grantor has granted to the Collateral Agent, for the benefit of the Noteholders, a continuing security interest in and lien on the Collateral (including the Patent Collateral). The Security Agreement, and all rights and interests of the Collateral Agent in and to the Collateral (including the Patent Collateral) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Agreement, the grant, assignment, transfer and conveyance of the Patent Collateral hereunder, or the recordation of this Agreement (or any other document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Collateral Agent in the Collateral (including the Patent Collateral) pursuant to the Security Agreement, the attachment and perfection of such security interest under the UCC (including the security interest in the Patent Collateral), or any present or future rights and interests of the Collateral Agent in and to the Collateral under or in connection with the Security Agreement or the UCC. Any and all rights and interests of the Collateral Agent in and to the Patent Collateral (and any and all obligations of the Grantors with respect to the Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Collateral Agent (and the obligations of the Grantors) in, to or with respect to the Collateral (including the Patent Collateral) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

**3.**  
**AFTER-ACQUIRED PATENTS**

**3.1**     After-acquired Patents. If, after the execution of this Agreement and before the end of the Secured Period, any Grantor shall obtain any right, title or interest in or to any new patentable inventions or become entitled to the benefit of any Patents or Patent Licenses for any reissue, division, or continuation, of any Patent, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

**3.2**     Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement and the Assignments of Patents, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Patents to include any future or other Patents or Patent Licenses that become part of the Patent Collateral under Section 2 or Section 3.1.

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4.

**GOVERNING LAW; CONSENT TO JURISDICTION.**

This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Patent Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

5.

**MISCELLANEOUS.**

5.1 Headings. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Collateral Agent, the other Noteholders and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Grantor acknowledges receipt of a copy of this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Signatures begin on next page]*

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**IN WITNESS WHEREOF**, this Patent Security and Pledge Agreement has been executed and delivered by its duly authorized officer as of the day and year first above written.

[ \_\_\_\_\_ ], as Grantor

By: \_\_\_\_\_

Name:

Title:

**U.S. Bank National Association**, as Collateral Agent

By: \_\_\_\_\_

Name:

Title:

---





**EXHIBIT 1**  
**ASSIGNMENT OF PATENTS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the patents (the "Patents") identified on the Annex hereto, and is the owner of such Patents; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Patents;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Patent Collateral Security and Pledge Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, "Patent Collateral Agreement"). Capitalized terms used and not defined herein have the meanings given such terms in the Patent Collateral Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Patents, together with (i) the Issued Patents and Patent Applications identified on the Annex attached hereto and incorporated herein by reference, (ii) the goodwill of the business symbolized by and associated with the Patents, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements of or damage or injury to the Patents or such associated goodwill.

This Assignment of Patents is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Patents below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Patents by the Assignor to the Assignee is hereby accepted as of the \_\_ day of \_\_\_\_\_, 20\_\_.

---

**U.S. Bank National Association**

By: \_\_\_\_\_  
Name:  
Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

My commission expires:

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ANNEX  
U.S. PATENT REGISTRATIONS AND APPLICATIONS

Title	App. No. Filing Date	Patent No. Issue Date	Security Interest

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**EXHIBIT 2**

**FORM OF TRADEMARK SECURITY AGREEMENT**

**(see attached)**

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**FORM OF  
TRADEMARK SECURITY AND PLEDGE AGREEMENT**

This **TRADEMARK SECURITY AND PLEDGE AGREEMENT**, dated as of [            ], 2013 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by [            ], a [            ] limited liability company and [            ], a [            ] limited liability company (the "Grantors") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantors have guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantors and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantors shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantors have granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantors to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Patent and Trademark Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

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

**1.  
DEFINITIONS.**

**1.1**        Terms Defined in the Security Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

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1.2 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:  
“Assignment of Marks” has the meaning set forth in Section 2.2 herein.

“PTO” means the United States Patent and Trademark Office.

“Trademark Collateral” has the meaning set forth in Section 2.1 herein.

1.3 Rules of Construction. Unless otherwise provided herein, the rules of construction set forth in Section 1.2 of the Security Agreement shall be applicable to this Agreement.

## 2.

### GRANT OF SECURITY INTEREST.

2.1 Security Interest. As collateral security for the payment and performance in full of all of the Secured Liabilities, each Grantor hereby pledges and grants to the Collateral Agent, for the benefit of the Collateral Agent and the ratable benefit of the Noteholders, a continuing security interest in and lien on all of such Grantor’s rights, title and interests in all Trademarks, Trademark Licenses, Trade Secrets and Trade Secret Licenses, including the Trademarks, Trademark Licenses and Trade Secret Licenses referred to on Schedule A hereto (as such schedule may be amended or supplemented from time to time), in each case whether now or hereafter existing or arising or in which such Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Trademark Collateral”).

2.2 Assignment of Trademarks upon Default. Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Trademarks that constitute Trademark Collateral in substantially the form of Annex 1 hereto (each an “Assignment of Trademarks”) for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, the Grantor hereby authorizes the Collateral Agent to complete, execute and record with the PTO an Assignment of Trademarks on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement.

2.3 Conditional Assignment. In addition to, and not by way of limitation of, the grant and pledge of the Trademark Collateral provided in Section 2.1, each Grantor grants, assigns, transfers, conveys and sets over to the Collateral Agent, for the benefit of the Noteholders, such Grantor’s entire right, title and interest in and to the Trademark Collateral; *provided*, that such grant, assignment, transfer and conveyance shall be and become of force and effect only (a) in connection with the Collateral Agent’s exercise of its rights and remedies in strict accordance with the terms of the Security Agreement, and (b) upon or after the occurrence and during the continuance of an Event of Default and (c) either (i) upon the written demand of the Collateral Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by the Collateral Agent) upon an Event of Default for which acceleration of the payment of the Notes is automatic under the Indenture or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by the Grantor to the Collateral Agent or its nominee in lieu of foreclosure).

---

**2.4** Supplemental to Security Agreement. Pursuant to the Security Agreement each Grantor has granted to the Collateral Agent, for the benefit of the Noteholders, a continuing security interest in and lien on the Collateral (including the Trademark Collateral). The Security Agreement, and all rights and interests of the Collateral Agent in and to the Collateral (including the Trademark Collateral) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Agreement, the grant, assignment, transfer and conveyance of the Trademark Collateral hereunder, or the recordation of this Agreement (or any other document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Collateral Agent in the Collateral (including the Trademark Collateral) pursuant to the Security Agreement, the attachment and perfection of such security interest under the UCC (including the security interest in the Trademark Collateral), or any present or future rights and interests of the Collateral Agent in and to the Collateral under or in connection with the Security Agreement or the UCC. Any and all rights and interests of the Collateral Agent in and to the Trademark Collateral (and any and all obligations of any Grantor with respect to the Trademark Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Collateral Agent (and the obligations of any Grantor) in, to or with respect to the Collateral (including the Trademark Collateral) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

### **3.**

#### **AFTER-ACQUIRED TRADEMARKS, ETC.**

**3.1** After-acquired Trademarks. If, after the execution of the Agreement and before the end of the Security Period, any Grantor shall obtain any right, title or interest in or to any other or new Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses or become entitled to the benefit of any Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

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**3.2**        Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement and the Assignments of Trademarks, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Trademarks to include any future or other Trademarks, Trademark Licenses, Trade Secrets or Trade Secret Licenses that become part of the Trademark Collateral under Section 2 or Section 3.1.

**4.**

**GOVERNING LAW; CONSENT TO JURISDICTION.**

This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Trademark Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

**5.**

**MISCELLANEOUS.**

(a)        Headings. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Collateral Agent, the Noteholders and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Grantor acknowledges receipt of a copy of this Agreement.

(b)        Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Signatures begin on next page]*

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**IN WITNESS WHEREOF**, this Trademark Security and Pledge Agreement has been executed and delivered by its duly authorized officer as of the day and year first above written.

[ \_\_\_\_\_ ], as Grantor

By: \_\_\_\_\_  
Name:  
Title:

[ \_\_\_\_\_ ], as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**U.S. Bank National Association**, as Collateral Agent

By: \_\_\_\_\_  
Name:  
Title:

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**ANNEX 1**  
**ASSIGNMENT OF TRADEMARKS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the trademarks (the "Trademarks") identified on the Annex hereto, and is the owner of such Patents; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Trademarks;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Trademark Security and Pledge Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, Trademark Collateral Agreement"). Capitalized terms used and not defined herein have the meanings given such terms in the Trademark Collateral Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Trademarks, together with (i) the Trademarks, Trademark Licenses and Trade Secret Licenses identified on the Annex attached hereto and incorporated herein by reference, (ii) the goodwill of the business symbolized by and associated with the Trademarks, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements of or damage or injury to the Trademarks or such associated goodwill.

This Assignment of Trademarks is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Trademarks below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Trademarks by the Assignor to the Assignee is hereby accepted as of the \_\_ day of \_\_\_\_\_, 20\_\_.

---

**U.S. Bank National Association**

By: \_\_\_\_\_  
Name:  
Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

My commission expires:

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ANNEX

U.S. TRADEMARK REGISTRATIONS AND APPLICATIONS

Title	App. No. Filing Date	Reg. No. Issue Date	Security Interest

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**EXHIBIT 3**

**FORM OF COPYRIGHT SECURITY AGREEMENT**

**(see attached)**

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## FORM OF COPYRIGHT SECURITY AGREEMENT

This **COPYRIGHT SECURITY AGREEMENT**, dated as of [ ], 2013 (as amended, restated, amended and restated or otherwise modified, this "Agreement"), is made by [ ], a [ ] [corporation] [limited liability company] (the "Grantor") in favor of **U.S. Bank National Association**, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantor has guaranteed the Notes issued under the Indenture, dated as of February 12, 2013 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantor and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantor shall have executed and delivered that certain Security Agreement, dated as of February 12, 2013, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Copyright Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

"Assignment of Copyrights" has the meaning set forth in Section 2.2 herein.

"Copyright Collateral" has the meaning set forth in Section 2.1 herein.

SECTION 2.

2.1 Grant of Security Interest in Copyright Collateral. Each Grantor hereby pledges and grants to Collateral Agent, for the benefit of the Noteholders, a security interest in all of such Grantor's right, title and interest in, to and under the Copyrights and Copyright Licenses, including the Copyrights and Copyright Licenses referred to on Schedule I hereto, whether presently existing or hereafter created or acquired (collectively, the "Copyright Collateral").

2.2 Assignment of Copyrights upon Default. Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Copyrights and Copyright Licenses that constitute Copyright Collateral in substantially the form of Annex 1 hereto (each an "Assignment of Copyrights") for the sole purpose of effecting the Collateral Agent's exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, each Grantor hereby authorizes the Collateral Agent to complete, execute and record with the United States Copyright Office an Assignment of Copyrights on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent's exercise of its remedies under Section 8 of the Security Agreement.

SECTION 3. Security Agreement. The security interest granted pursuant to this Agreement is granted in conjunction with the security interest granted to the Collateral Agent for the Noteholders pursuant to the Security Agreement and Grantors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Agreement is deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall control.

SECTION 4. After-Acquired Copyrights. If, after the execution of the Agreement and before the end of the Security Period, the Grantor shall obtain any right, title or interest in or to any other or new Copyrights or Copyright Licenses or become entitled to the benefit of any Copyrights or Copyright Licenses, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

SECTION 5. MISCELLANEOUS

5.1 Applicable Law. This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Copyright Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

5.2 Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Copyrights to include any future or other Copyrights or Copyright Licenses that become part of the Copyright Collateral under Section 2 or Section 4.

SECTION 6. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, each Grantor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

[ \_\_\_\_\_ ],  
as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**U.S. Bank National Association,**  
as Collateral Agent

By: \_\_\_\_\_  
Name:  
Title:

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**SCHEDULE I**  
**to**  
**COPYRIGHT SECURITY AGREEMENT**

**COPYRIGHT REGISTRATIONS AND APPLICATIONS**

**Registrations**

Registration No.	Registration Date	Title

**Applications**

Application No.	Application Date	Title

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**ANNEX 1**  
**ASSIGNMENT OF COPYRIGHTS**

**WHEREAS**, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the copyrights (the "Copyrights") identified on the Annex hereto, and is the owner of such Copyrights; and

**WHEREAS**, U.S. Bank National Association, having a place of business at 60 Livingston Avenue, EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the "Assignee"), is desirous of acquiring the Copyrights;

**WHEREAS**, the Assignor and the Assignee have entered into that certain Copyright Security Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_ (as may be amended, Copyright Security Agreement). Capitalized terms used and not defined herein have the meanings given such terms in the Copyright Security Agreement;

**NOW, THEREFORE**, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Copyrights and Copyright Licenses, including the Copyrights and Copyright Licenses identified on the Annex attached hereto and incorporated herein by reference.

This Assignment of Copyrights is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Copyrights below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing assignment of the Copyrights by the Assignor to the Assignee is hereby accepted as of the \_\_\_ day of \_\_\_\_\_, 20\_\_.

---



**U.S. Bank National Association**

By: \_\_\_\_\_  
Name:  
Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

My commission expires:

\_\_\_\_\_

ANNEX

COPYRIGHT REGISTRATIONS AND APPLICATIONS

Title	App. No. Filing Date	Reg. No. Issue Date	Security Interest

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**INTERCREDITOR AND LIEN SUBORDINATION AGREEMENT**

**among**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**

**as ABL Lender**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Collateral Agent**

**and**

**LIGGETT GROUP LLC,  
as Borrower**

**and**

**100 MAPLE LLC,  
as Loan Party**

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## TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. DEFINITIONS; INTERPRETATION	2
1.1 Definitions	2
1.2 Terms Generally	8
SECTION 2. LIEN PRIORITIES	8
2.1 Subordination	8
2.2 Prohibition on Contesting Liens	9
2.3 No New Liens	9
2.4 Similar Liens and Agreements	9
SECTION 3. ENFORCEMENT	10
3.1 Exercise of Rights and Remedies	10
3.2 Rights As Unsecured Creditors	12
3.3 Release of Liens on ABL Collateral	12
3.4 Insurance and Condemnation Awards	14
SECTION 4. PAYMENTS	15
4.1 Application of Proceeds	15
4.2 Payments Over	16
SECTION 5. BAILEE FOR PERFECTION	16
5.1 Each Lender as Bailee	16
5.2 Transfer of Pledged ABL Collateral	17
SECTION 6. INSOLVENCY OR LIQUIDATION PROCEEDINGS	18
6.1 General Applicability	18
6.2 Bankruptcy Financing	18
6.3 Relief from the Automatic Stay	19
6.4 Adequate Protection	19
6.5 Reorganization Securities	20
6.6 Separate Classes	20
6.7 Asset Dispositions	20
6.8 Preference Issues	21
6.9 Certain Waivers as to Section 1111(b)(2) of Bankruptcy Code	21
6.10 Other Bankruptcy Laws	21

SECTION 7.	NOTEHOLDER SECURED PARTIES' PURCHASE OPTION	21
7.1	Exercise of Option	21
7.2	Purchase and Sale	22
7.3	Payment of Purchase Price	22
7.4	Representations Upon Purchase and Sale	23
7.5	Notice from ABL Lender Prior to Lien Enforcement Action	23
SECTION 8.	RELIANCE; WAIVERS; ETC	23
8.1	Reliance	23
8.2	No Warranties or Liability	24
8.3	No Waiver of Lien Priorities	24
SECTION 9.	MISCELLANEOUS	26
9.1	Conflicts	26
9.2	Continuing Nature of this Intercreditor Agreement; Severability	26
9.3	When Discharge of ABL Debt Deemed to Not Have Occurred	26
9.4	Amendments to Noteholder Documents	27
9.5	Amendments; Waivers	27
9.6	Subrogation; Marshalling	27
9.7	Consent to Jurisdiction; Waivers	27
9.8	Notices	28
9.9	Further Assurances	29
9.10	Consent to Jurisdiction; Waiver of Jury Trial	29
9.11	Governing Law	29
9.12	Binding on Successors and Assigns	29
9.13	Specific Performance	29
9.14	Section Titles; Time Periods	29
9.15	Counterparts	29
9.16	Authorization	29
9.17	No Third Party Beneficiaries	30

## INTERCREDITOR AND LIEN SUBORDINATION AGREEMENT

INTERCREDITOR AND LIEN SUBORDINATION AGREEMENT, dated as of February 12, 2013 (this “Intercreditor Agreement” as hereinafter further defined), among Wells Fargo Bank, National Association (the “ABL Lender” as hereinafter further defined), for itself and on behalf of the other ABL Secured Parties (as hereinafter defined), U.S. Bank National Association, in its capacity as collateral agent for the Noteholder Secured Parties (in such capacity, “Collateral Agent” as hereinafter further defined), Liggett Group LLC, a Delaware limited liability company, as successor to Liggett Group Inc., and 100 Maple LLC, a Delaware limited liability company (“Maple”).

### WITNESSETH:

WHEREAS, Borrower and the other ABL Loan Parties (each as hereinafter defined) have entered into a secured revolving credit facility with ABL Lender as set forth in the ABL Loan Agreement (as hereinafter defined) pursuant to which ABL Lender has made and from time to time may make loans and provide other financial accommodations to Borrower and secured by the ABL Collateral (as hereinafter defined);

WHEREAS, pursuant to an Indenture dated as of February 12, 2013, among Vector Group Ltd. (the “Issuer”), certain of its direct and indirect subsidiaries (including the Borrower) (the Issuer and such subsidiaries being referred to as the “Indenture Loan Parties”) and U.S. Bank National Association, in its capacity as trustee thereunder (in such capacity, “Indenture Trustee,” as hereinafter further defined) (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “Noteholder Agreement”), the Issuer intends to issue its 7.750% Senior Secured Notes due 2021 (including any related exchange notes and any additional notes issued pursuant to the Noteholder Agreement), in an initial aggregate principal amount of \$450.0 million, which will be guaranteed by, among others, Borrower, Maple and certain other direct and indirect subsidiaries of the Issuer, and secured by certain security interests in and pledges of certain assets and properties, including assets and properties of the Indenture Loan Parties;

WHEREAS, ABL Lender, on its own behalf and on behalf of the other ABL Secured Parties, and Collateral Agent, on its own behalf and on behalf of the Noteholder Secured Parties, desire to enter into this Intercreditor Agreement to (i) confirm the relative priority of the security interests of ABL Secured Parties and Noteholder Secured Parties in the ABL Collateral, (ii) provide for the orderly sharing among them, in accordance with such priorities, of proceeds of such ABL Collateral upon any foreclosure thereon or other disposition thereof and (iii) address related matters;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

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## SECTION 1. DEFINITIONS; INTERPRETATION.

1.1 Definitions. As used in this Intercreditor Agreement, the following terms have the meanings specified below:

“ABL Collateral” shall mean any and all of the assets and properties of the ABL Loan Parties as set forth on Schedule A hereto. All capitalized terms used on Schedule A hereto and not defined elsewhere in this Intercreditor Agreement shall have the meanings assigned to them in the ABL Loan Agreement.

“ABL Debt” shall mean all “Obligations” as such term is defined in the ABL Loan Agreement, including, without limitation, obligations, liabilities and indebtedness of every kind, nature and description owing by any ABL Loan Party to any ABL Secured Party, including principal, interest, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under any of the ABL Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the ABL Documents or after the commencement of any case with respect to any ABL Loan Party under the Bankruptcy Code or any other Insolvency or Liquidation Proceeding (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts, which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured.

“ABL Documents” shall mean, collectively, the ABL Loan Agreement and all agreements, documents and instruments at any time executed and/or delivered by any ABL Loan Party to, with or in favor of any ABL Secured Party in connection therewith, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated, refinanced, replaced or restructured (in whole or in part and including any agreements with, to or in favor of any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the ABL Debt) in accordance with the terms of this Intercreditor Agreement.

“ABL Event of Default” shall mean any “Event of Default” as defined in the ABL Loan Agreement.

“ABL Lender” shall mean, collectively, Wells Fargo Bank, National Association and any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the ABL Debt or is otherwise party to the ABL Documents as a lender in accordance with the terms of this Intercreditor Agreement.

“ABL Loan Agreement” shall mean the Second Amended and Restated Loan and Security Agreement, dated as of February 21, 2012, by and among Borrower, the other ABL Loan Parties and ABL Lender, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced in accordance with the terms of this Intercreditor Agreement.

“ABL Loan Parties” shall mean, collectively, (a) Borrowers, (b) Maple and (c) their respective successors and permitted assigns; sometimes being referred to herein individually as an “ABL Loan Party”.

“ABL Secured Parties” shall mean, collectively, (a) the ABL Lender, (b) the issuing bank or banks of letters of credit or similar instruments under the ABL Loan Agreement, (c) each other person to whom any of the ABL Debt (including ABL Debt constituting Bank Product Obligations) is owed and (d) the successors, replacements and assigns of each of the foregoing; sometimes being referred to herein individually as a “ABL Secured Party”.

“Bank Product Obligations” shall mean Cash Management Obligations and Hedging Obligations.

“Bankruptcy Code” shall mean the United States Bankruptcy Code, being Title 11 of the United States Code, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented.

“Bankruptcy Law” shall mean the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

“Borrowers” shall mean collectively, (a) Liggett Group LLC, a Delaware limited liability company, as successor to Liggett Group, Inc., and (b) its successors and assigns; sometimes being referred to herein individually as a “Borrower”.

“Business Day” shall mean any day other than a Saturday, a Sunday or a day that is a legal holiday under the laws of the State of New York or on which banking institutions in the State of New York are required or authorized by law or other governmental action to close.

“Cash Management Obligations” shall mean, with respect to any ABL Borrower, the obligations of such ABL Borrower in connection with (a) credit cards or (b) cash management or related services, including (i) the automated clearinghouse transfer of funds or overdrafts or (ii) controlled disbursement services.

“Collateral Agent” shall mean U.S. Bank National Association, in its capacity as Collateral Agent under the Noteholder Documents, and also includes any successor, replacement or agent acting on its behalf as Collateral Agent for the Noteholder Secured Parties under the Noteholder Documents.

“DIP Financing” shall have the meaning set forth in Section 6.2.

“Discharge of ABL Debt” shall mean (a) the termination or expiration of the commitments of ABL Lender and the financing arrangements provided by ABL Lender to ABL Loan Parties under the ABL Documents, (b) except to the extent otherwise provided in Sections 4.1 and 4.2, the payment in full in cash of the ABL Debt (other than (i) the ABL Debt described in clause (c) of this definition, (ii) contingent indemnification obligations as to which no claim has been made and (iii) obligations under agreements with ABL Secured Parties which continue notwithstanding the termination of the commitments and repayment of the ABL Debt described herein), and (c) payment in full in cash of cash collateral, or at ABL Lender’s option, the delivery to ABL Lender of a letter of credit payable to ABL Lender, in either case as required under the terms of the ABL Loan Agreement, in respect of letters of credit issued under the ABL Documents and Bank Product Obligations.



“Discharge of Priority Noteholder Debt” shall mean, except to the extent otherwise provided in Sections 4.1 and 4.2, the final payment in full in cash of the Noteholder Debt.

“Discharge of Priority Debt” shall mean except to the extent otherwise provided in Sections 4.1 and 4.2, the final payment in full in cash of the First Priority Debt (other than as described in the definition of Discharge of ABL Debt).

“Excess ABL Debt” means ABL Debt which does not constitute First Priority Debt.

“First Priority Debt” means ABL Debt to the extent it constitutes Maximum Priority ABL Debt.

“Hedging Obligations” shall mean, with respect to any Person, the obligations of such Person under (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or the value of foreign currencies.

“Indenture Loan Parties” has the meaning set forth in the preamble hereto.

“Insolvency or Liquidation Proceeding” shall mean (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any ABL Loan Party, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any ABL Loan Party or with respect to any of their respective assets, (c) any proceeding seeking the appointment of any trustee, receiver, liquidator, custodian or other insolvency official with similar powers with respect to such Person or any or all of its assets or properties, (d) any liquidation, dissolution, reorganization or winding up of any ABL Loan Party whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (e) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any ABL Loan Party.

“Intercreditor Agreement” shall mean this Intercreditor and Lien Subordination Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance (including, but not limited to, easements, rights of way and the like), lien (statutory or other), security agreement or transfer intended as security, including without limitation, any conditional sale or other title retention agreement, the interest of a lessor under a capital lease or any financing lease having substantially the same economic effect as any of the foregoing.

“Lien Enforcement Action” shall mean (a) any action by any Secured Party to foreclose on the Lien of such Person in all or a material portion of the ABL Collateral or exercise any right of repossession, levy, attachment, setoff or liquidation against all or a material portion of the ABL Collateral, (b) any action by any Secured Party to take possession of, sell or otherwise realize (judicially or non judicially) upon all or a material portion of the ABL Collateral (including, without limitation, by setoff), (c) any action by any Secured Party to facilitate the possession of, sale of or realization upon all or a material portion of the ABL Collateral including the solicitation of bids from third parties to conduct the liquidation of all or any material portion of the ABL Collateral, the engagement or retention of sales brokers, marketing agents, investment bankers, accountants, auctioneers or other third parties for the purpose of valuing, marketing, promoting or selling all or any material portion of the ABL Collateral, (d) the commencement by any Secured Party of any legal proceedings against or with respect to all or a material portion of the ABL Collateral to facilitate the actions described in (a) through (c) above, or (e) any action to seek or request relief from or modification of the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of all or a material portion of the ABL Collateral, or any proceeds thereof. For the purposes hereof, (i) the notification of account debtors to make payments to ABL Lender shall constitute a Lien Enforcement Action if and only if such action is coupled with an action to take possession of all or a material portion of the ABL Collateral or the commencement of any legal proceedings or actions against or with respect to ABL Loan Parties of all or a material portion of the ABL Collateral, and (ii) a material portion of the ABL Collateral shall mean ABL Collateral having a value in excess of \$10,000,000.

“Maximum Priority ABL Debt” shall mean, as of any date of determination, (a) principal of the ABL Debt (including undrawn amounts under any letters of credit issued under the ABL Documents) up to \$65,000,000 in the aggregate at any one time outstanding, plus (b) any interest on such amount (and including, without limitation, any interest which would accrue and become due but for the commencement of Insolvency or Liquidation Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding), plus (c) the Maximum Priority Cash Management Obligations, plus (d) the Maximum Priority Hedging Obligations, plus (e) any fees, costs, expenses and indemnities payable under any of the ABL Documents (and including, without limitation, any fees, costs, expenses and indemnities which would accrue and become due but for the commencement of Insolvency or Liquidation Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding) minus (f) the amount of all permanent reductions in the commitments under the ABL Documents and minus (g) the amount of all permanent repayments of ABL Debt to the extent such repayments result in a reduction of the commitments under the ABL Documents.

“Maximum Priority Cash Management Obligations” shall mean, as of any date of determination, the amount of the ABL Debt constituting Cash Management Obligations outstanding on such date, up to \$5,000,000 in the aggregate at any one time outstanding.

“Maximum Priority Hedging Obligations” shall mean, as of any date of determination, the amount of the ABL Debt constituting Hedging Obligations outstanding on such date, up to \$5,000,000 in the aggregate at any one time outstanding.

“Noteholder Agreement” shall mean the Indenture, dated as of February 12, 2013, by and among Vector Group, Ltd., the Indenture Loan Parties and the Noteholder Trustee, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

“Noteholder Debt” shall mean all “Obligations” as such term is defined in the Noteholder Agreement, including, without limitation, obligations, liabilities and indebtedness of every kind, nature and description owing by any Indenture Loan Party to any Noteholder Secured Party, including principal, interest, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under any of the Noteholder Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Noteholder Documents or after the commencement of any case with respect to any Indenture Loan Party under the Bankruptcy Code or any other Insolvency or Liquidation Proceeding (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts, which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured.

“Noteholder Default” shall mean any “Event of Default” as defined in the Noteholder Agreement.

“Noteholder Documents” shall mean, collectively, the Noteholder Agreement and all agreements, documents and instruments at any time executed and/or delivered by any Indenture Loan Party to, with or in favor of any Noteholder Secured Party in connection therewith, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated, refinanced, replaced or restructured (in whole or in part and including any agreements with, to or in favor of any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Noteholder Debt).

“Noteholder Secured Parties” shall mean, collectively, (a) the Noteholder Trustee, solely in its capacity as trustee under the Noteholder Agreement and the other Noteholder Documents, (b) each holder of any Note or Notes, solely in its capacity as such holder, and each other person to whom any of the Noteholder Debt is transferred or owed, solely in its capacity as such, (c) the Collateral Agent, and (d) the successors, replacements and assigns of each of the foregoing; sometimes being referred to herein individually as a “Noteholder Secured Party”.

“Noteholder Trustee” shall mean U.S. Bank National Association, in its capacity as trustee under the Noteholder Agreement, and also includes any successor, replacement or agent acting on its behalf as Noteholder Trustee for the Noteholder Secured Parties under the Noteholder Documents.

“Notes” shall mean any notes issued pursuant to the Noteholder Agreement, whether issued pursuant to the initial offering or subsequently, including any exchange notes and additional notes.

“Permitted Actions” shall mean any of the following: (a) in any Insolvency or Liquidation Proceeding, filing a proof of claim or statement of interest with respect to the Noteholder Debt or Excess ABL Debt, as the case may be; (b) taking any action to preserve or protect the validity, enforceability, perfection or priority of the Liens securing the Noteholder Debt or the Excess ABL Debt, as the case may be, provided that no such action is, or could reasonably be expected to be, (i) as to any action by any Noteholder Secured Party, adverse to the Liens securing the First Priority Debt or the rights of the ABL Lender or any other ABL Secured Party to exercise remedies in respect thereof to the extent not expressly prohibited by this Agreement, (ii) as to any action by any ABL Secured Party, adverse to the Liens securing the Noteholder Debt or the rights of the Collateral Agent or any other Noteholder Secured Party to exercise remedies in respect thereof to the extent not expressly prohibited by this Intercreditor Agreement, or (iii) otherwise inconsistent with the terms of this Intercreditor Agreement, including the automatic release of Liens provided in Section 3.3; (c) filing any responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any Person objecting to or otherwise seeking the disallowance of the claims of the Noteholder Secured Parties or the claims of the ABL Secured Parties with respect to Excess ABL Debt, including any claims secured by the ABL Collateral or otherwise making any agreements or filing any motions pertaining to the Noteholder Debt or Excess ABL Debt, in each case, to the extent not inconsistent with the terms of this Intercreditor Agreement; (d) exercising rights and remedies as unsecured creditors, as provided in Section 3.2; and (e) the enforcement by the Collateral Agent and the Noteholder Secured Parties of any of their rights and exercise any of their remedies with respect to the ABL Collateral after the termination of the Standstill Period (as defined in Section 3.1) or the enforcement by the ABL Lender or the ABL Secured Parties of any of their rights and exercise of any of their remedies with respect to the ABL Collateral after Discharge of Priority Noteholder Debt.

“Person” or “person” shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock company, trust, joint venture, or other entity or any government or any agency or instrumentality or political subdivision thereof.

“Pledged ABL Collateral” shall have the meaning set forth in Section 5.1(a).

“Qualified Financier” shall mean (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$500,000,000, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of \$500,000,000; provided that such bank is acting through a branch or agency located in the United States, and (c) a commercial finance company, insurance company or other financial institution that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and having total assets in excess of \$500,000,000.

“Secured Parties” shall mean, collectively, the ABL Secured Parties and the Noteholder Secured Parties.

“Subsidiary” means any “Subsidiary” of Borrower as defined in the ABL Loan Agreement.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York.

1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, and as to any Borrower, any Guarantor or any other ABL Loan Party shall be deemed to include a receiver, trustee or debtor-in-possession on behalf of any of such person or on behalf of any such successor or assign, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Intercreditor Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Intercreditor Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

## **SECTION 2. LIEN PRIORITIES.**

2.1 Subordination. Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the ABL Lender or the ABL Secured Parties or the Collateral Agent or the Noteholder Secured Parties and notwithstanding any provision of the UCC, or any applicable law or any provisions of the ABL Documents or the Noteholder Documents or any other circumstance whatsoever:

(a) The Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, hereby agrees that: (i) any Lien on the ABL Collateral securing the First Priority Debt now or hereafter held by or for the benefit or on behalf of any ABL Secured Party or any agent or trustee therefor shall be senior in right, priority, operation, effect and in all other respects to any Lien on the ABL Collateral securing the Noteholder Debt now or hereafter held by or for the benefit or on behalf of any Noteholder Secured Party or any agent or trustee therefor; and (ii) any Lien on the ABL Collateral securing any of the Noteholder Debt now or hereafter held by or for the benefit or on behalf of any Noteholder Secured Party or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the ABL Collateral securing any First Priority Debt.

(b) The ABL Lender, for itself and on behalf of the other ABL Secured Parties, hereby agrees that: (i) any Lien on the ABL Collateral securing the Noteholder Debt now or hereafter held by or for the benefit or on behalf of any Noteholder Secured Party or any agent or trustee thereof shall be senior in right, priority, operation, effect and in all other respects to any Lien on the ABL Collateral securing the principal amount of Excess ABL Debt now or hereafter held by or for the benefit or on behalf of any ABL Secured Party or any agent or trustee thereof; and (ii) any Lien on the ABL Collateral securing any Excess ABL Debt now or hereafter held by or for the benefit or on behalf of any ABL Secured Party or any agent or trustee thereof regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the ABL Collateral securing any Noteholder Debt.

2.2 Prohibition on Contesting Liens. Each of the ABL Lender, for itself and on behalf of the other ABL Secured Parties, and the Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding involving any ABL Loan Party), the perfection, priority, validity or enforceability of a Lien held by or for the benefit or on behalf of any ABL Secured Party in any ABL Collateral or by or on behalf of any Noteholder Secured Party in any ABL Collateral, as the case may be; provided that nothing in this Intercreditor Agreement shall be construed to prevent or impair the rights of any ABL Secured Party or Noteholder Secured Party to enforce this Intercreditor Agreement, including the priority of the Liens as provided in Section 2.1.

2.3 No New Liens. So long as the Discharge of Priority Debt has not occurred, none of the ABL Loan Parties shall grant any additional Liens on any assets to secure the Noteholder Debt unless it has granted, or substantially concurrently therewith shall grant, a lien on such asset to secure the ABL Debt or grant any additional Liens on any assets to secure the ABL Debt unless it has granted, or substantially concurrently therewith shall grant, a Lien on such asset to secure the Noteholder Debt, all of which Liens shall be subject to the terms of this Intercreditor Agreement. Further, the parties hereto agree that, after the Discharge of Priority Debt and so long as the Discharge of Priority Noteholder Debt has not occurred, none of the ABL Loan Parties shall grant any additional Liens on any asset to secure any Excess ABL Debt unless it has granted, or substantially concurrently therewith shall grant, a Lien on such asset to secure the Noteholder Debt. To the extent that the provisions of this Section 2.3 are not complied with for any reason, without limiting any other right or remedy available to the ABL Lender or any other ABL Secured Party or the Collateral Agent or any Noteholder Secured Party, the Collateral Agent agrees, for itself and on behalf of the other Noteholder Secured Parties, and the ABL Lender agrees, for itself and on behalf of the other ABL Secured Parties, that any amount received by or distributed to any Noteholder Secured Party or any ABL Secured Party pursuant to or as a result of any Lien granted in contravention of this Section shall be subject to Section 3 hereof.

2.4 Similar Liens and Agreements. The parties hereto agree, subject to the other provisions of this Intercreditor Agreement, upon request by the ABL Lender or the Collateral Agent, as the case may be, to advise the other from time to time of the ABL Collateral for which such party has taken steps to perfect its Liens and to identify the parties obligated under the ABL Documents or Noteholder Documents, as the case may be.

### SECTION 3. ENFORCEMENT.

3.1 Exercise of Rights and Remedies. (a) Until the Discharge of Priority Debt, the Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, agrees that it:

(i) will not enforce or exercise, or seek to enforce or exercise, any rights or remedies (including any right of setoff or notification of account debtors) with respect to any ABL Collateral (including the enforcement of any right under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or any similar agreement or arrangement to which the Collateral Agent or any other Noteholder Secured Party is a party) or commence or join with any Person (other than ABL Lender) in commencing, or filing a petition for, any action or proceeding with respect to such rights or remedies with respect to the ABL Collateral (including any foreclosure action or proceeding or any Insolvency or Liquidation Proceeding); provided, however, that (A) the Collateral Agent and the Noteholder Secured Parties may take Permitted Actions, and (B) the Collateral Agent may exercise any or all of such rights or remedies after a period of 180 days has elapsed since the date on which any ABL Secured Party has commenced a Lien Enforcement Action and prior to or at the time of such exercise, the Collateral Agent shall have (1) declared the existence of a Noteholder Default, (2) demanded the repayment of all the principal amount of the Noteholder Debt and (3) notified the ABL Lender of such declaration of a Noteholder Default and demand (the "Standstill Period"); provided, further, that, notwithstanding the expiration of the Standstill Period or anything herein to the contrary, in no event shall the Collateral Agent or any other Noteholder Secured Party enforce or exercise any rights or remedies with respect to any ABL Collateral, or commence or petition for any such action or proceeding (including any foreclosure action or proceeding or any Insolvency or Liquidation Proceeding), at any time during which the ABL Lender or any other ABL Secured Party shall have commenced and shall be pursuing diligently a Lien Enforcement Action;

(ii) will not contest, protest or object to any foreclosure action or proceeding brought by the ABL Lender or any other ABL Secured Party, or any other enforcement or exercise by any ABL Secured Party of any rights or remedies relating to the ABL Collateral under the ABL Documents, so long as the Liens of the Collateral Agent attach to the proceeds thereof subject to the relative priorities set forth in Section 2.1 and such actions or proceedings are being pursued in good faith in accordance with applicable law;

(iii) subject to the Noteholder Secured Parties' rights under Section 3.1(a)(i), will not object to the forbearance by the ABL Lender or the other ABL Secured Parties from commencing or pursuing any foreclosure action or proceeding or any other enforcement or exercise of any rights or remedies with respect to any of the ABL Collateral;

(iv) will not except for actions permitted under Sections 3.1(a)(i), take or receive any ABL Collateral, or any proceeds thereof or payment with respect thereto, in connection with the exercise of any right or remedy (including any right of setoff) with respect to any ABL Collateral or in connection with any insurance policy award or any condemnation award (or deed in lieu of condemnation) relating to the ABL Collateral;

(v) will not object to the manner in which the ABL Lender or any other ABL Secured Party may seek to enforce or collect the ABL Debt or the Liens of such ABL Secured Party securing First Priority Debt, regardless of whether any action or failure to act by or on behalf of the ABL Lender or any other ABL Secured Party is, or could be, adverse to the interests of the Noteholder Secured Parties, and will not assert, and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or claim the benefit of any marshalling, appraisal, valuation or other similar right that may be available under applicable law with respect to the ABL Collateral or any other rights a junior secured creditor may have under applicable law with respect to the matters described in this clause (v), provided that at all times ABL Lender is acting in good faith in accordance with applicable law; and

(vi) will not attempt, directly or indirectly, whether by judicial proceeding or otherwise, to challenge or question the validity or enforceability of any First Priority Debt, any Lien of ABL Lender securing the First Priority Debt or this Intercreditor Agreement, or the validity or enforceability of the priorities, rights or obligations established by this Intercreditor Agreement.

(b) After the Discharge of Priority Debt and until the Discharge of the Noteholder Debt has occurred, the ABL Lender, for itself and on behalf of the other ABL Secured Parties, with respect to Excess ABL Debt agrees that it:

(i) will not, enforce or exercise, or seek to enforce or exercise, any rights or remedies (including any right of setoff or notification of account debtors) with respect to any ABL Collateral (including the enforcement of any right under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or any similar agreement or arrangement to which the ABL Lender or any other ABL Secured Party is a party) or commence or join with any Person (other than Collateral Agent or Noteholder Secured Parties) in commencing, or filing a petition for, any action or proceeding with respect to such rights or remedies with respect to the ABL Collateral (including any foreclosure action or proceeding or any Insolvency or Liquidation Proceeding); provided, however, that the ABL Lender and the ABL Secured Parties may take Permitted Actions;

(ii) will not contest, protest or object to any foreclosure action or proceeding brought by the Collateral Agent or any other Noteholder Secured Party, or any other enforcement or exercise by any Noteholder Secured Party of any rights or remedies relating to the ABL Collateral under the Noteholder Documents, so long as the Liens of ABL Secured Parties attach to the proceeds thereof subject to the relative priorities set forth in Section 2.1 and such actions or proceedings are being pursued in good faith in accordance with applicable law;

(iii) subject to the ABL Secured Parties' rights under Section 3.1(b)(i), will not object to the forbearance by the Collateral Agent or the other Noteholder Secured Parties from commencing or pursuing any foreclosure action or proceeding or any other enforcement or exercise of any rights or remedies with respect to any of the ABL Collateral;

(iv) will not except for actions permitted under Sections 3.1(b)(i), take or receive any ABL Collateral, or any proceeds thereof or payment with respect thereto, in connection with the exercise of any right or remedy (including any right of setoff) with respect to any ABL Collateral or in connection with any insurance policy award or any condemnation award (or deed in lieu of condemnation) relating to the ABL Collateral;



(v) will not object to the manner in which the Collateral Agent or any other Noteholder Secured Party may seek to enforce or collect the Noteholder Debt or the Liens of such Noteholder Secured Party securing Noteholder Debt, regardless of whether any action or failure to act by or on behalf of the Collateral Agent or any other Noteholder Secured Party is, or could be, adverse to the interests of the ABL Secured Parties with respect to the Excess ABL Debt and Liens securing such Excess ABL Debt, and will not assert, and hereby waive, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or claim the benefit of any marshalling, appraisal, valuation or other similar right that may be available under applicable law with respect to the ABL Collateral or any other rights a junior secured creditor may have under applicable law with respect to the matters described in this clause (v) in each case to the extent that the ABL Collateral secures Excess ABL Debt, provided that at all times the Collateral Agent is acting in good faith in accordance with applicable law; and

(vi) will not attempt, directly or indirectly, whether by judicial proceeding or otherwise, to challenge or question the validity or enforceability of any Noteholder Debt or any Lien of the Collateral Agent or the Noteholder Secured Parties securing the Noteholder Debt or this Intercreditor Agreement, or the validity or enforceability of the priorities, rights or obligations established by this Intercreditor Agreement.

3.2 Rights As Unsecured Creditors. Notwithstanding anything to the contrary in this Intercreditor Agreement, the Collateral Agent and the other Noteholder Secured Parties may exercise rights and remedies as an unsecured creditor against any ABL Loan Party in accordance with the terms of the Noteholder Documents and applicable law. For purposes hereof, the rights of an unsecured creditor do not include the rights of a creditor that holds a judgment lien to enforce such lien. Nothing in this Intercreditor Agreement shall prohibit the receipt by the Collateral Agent or any other Noteholder Secured Parties of the payments of any Noteholder Debt so long as such receipt is not the direct or indirect result of the exercise by the Collateral Agent or any other Noteholder Secured Party of foreclosure rights with respect to any ABL Collateral or other remedies as a secured creditor of any ABL Party or enforcement in contravention of this Intercreditor Agreement of any Lien held by any of them in any ABL Collateral or any other act in contravention of this Intercreditor Agreement.

### 3.3 Release of Liens on ABL Collateral.

(a) Prior to Discharge of Priority Debt, if (i) in connection with any sale, lease, license, exchange, transfer or other disposition of any ABL Collateral (A) permitted under the terms of the ABL Documents (whether or not an event of default or equivalent event thereunder, and as defined therein, has occurred and is continuing) or (B) consented to or approved by ABL Lender, but in the case of (A) or (B) only if permitted under the terms of the Noteholder Documents or (ii) in connection with the exercise of the ABL Lender's remedies in respect of the ABL Collateral provided for in Section 3.1 (provided that after giving effect to the release and application of proceeds, ABL Debt (other than Excess ABL Debt) secured by the first priority Liens on the remaining ABL Collateral remains outstanding), the ABL Lender, for itself or on behalf of any of the other ABL Secured Parties, releases any of its Liens on any part of the ABL Collateral, then effective upon the consummation of such sale, lease, license, exchange, transfer or other disposition:

(A) the Liens, if any, of the Collateral Agent, for itself or for the benefit of the Noteholder Secured Parties, on such ABL Collateral shall be automatically, unconditionally and simultaneously released to the same extent as the release of ABL Lender's Liens,

(B) the Collateral Agent, for itself or on behalf of the Noteholder Secured Parties, shall promptly upon the request of ABL Lender execute and deliver such release documents and confirmations of the authorization to file UCC amendments and terminations provided for herein, in each case as ABL Lender may require in connection with such sale or other disposition by ABL Lender, ABL Lender's agents or any ABL Loan Party with the consent of ABL Lender to evidence and effectuate such termination and release; provided, that, any such release or UCC amendment or termination by Collateral Agent shall not extend to or otherwise affect any of the rights, if any, of Collateral Agent and Noteholder Secured Parties to the proceeds from any such sale or other disposition of ABL Collateral, and

(C) the Collateral Agent, for itself or on behalf of the other Noteholder Secured Parties, shall be deemed to have authorized ABL Lender to file UCC amendments and terminations covering the ABL Collateral so sold or otherwise disposed of as to UCC financing statements between any ABL Loan Party and Collateral Agent or any other Noteholder Secured Party to evidence such release and termination.

(b) After Discharge of Priority Debt but prior to Discharge of Priority Noteholder Debt, if (i) in connection with any sale, lease, license, exchange, transfer or other disposition of any ABL Collateral (A) permitted under the terms of the Noteholder Documents (whether or not an event of default or equivalent event thereunder, and as defined therein, has occurred and is continuing) or (B) consented to or approved by Noteholder Secured Parties, but in the case of (A) and (B), only if permitted under the terms of the ABL Documents, or (ii) in connection with the exercise of the Collateral Agent's or any Noteholder Secured Party's remedies in respect of the ABL Collateral provided for in Section 3.1 (provided that after giving effect to the release and application of proceeds, Noteholder Debt secured by the Liens on the remaining ABL Collateral remain outstanding), the Collateral Agent, for itself or on behalf of any of the other Noteholder Secured Parties, releases any of its Liens on any part of the ABL Collateral, then effective upon the consummation of such sale, lease, license, exchange, transfer or other disposition:

(A) the Liens, if any, of the ABL Lender, for itself or for the benefit of the ABL Secured Parties, on such ABL Collateral shall be automatically, unconditionally and simultaneously released to the same extent as the release of the Collateral Agent's Liens,

(B) the ABL Lender, for itself or on behalf of the ABL Secured Parties, shall promptly upon the request of the Collateral Agent execute and deliver such release documents and confirmations of the authorization to file UCC amendments and terminations provided for herein, in each case as the Collateral Agent may require in connection with such sale or other disposition by the Collateral Agent or any Noteholder Secured Party, or any of their agents or any ABL Loan Party with the consent of Noteholder Secured Parties to evidence and effectuate such termination and release; provided, that, any such release or UCC amendment or termination by ABL Lender shall not extend to or otherwise affect any of the rights, if any, of ABL Lender and ABL Secured Parties to the proceeds from any such sale or other disposition of ABL Collateral, and

(C) the ABL Lender, for itself or on behalf of the other ABL Secured Parties, shall be deemed to have authorized the Collateral Agent to file UCC amendments and terminations covering the ABL Collateral so sold or otherwise disposed of as to UCC financing statements between any ABL Loan Party and ABL Lender or any other ABL Secured Party to evidence such release and termination.

(c) The Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, hereby irrevocably constitutes and appoints the ABL Lender and any officer or agent of the ABL Lender, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Collateral Agent or such holder, from time to time in the ABL Lender's discretion, for the purpose of carrying out the terms of this Section 3.3(a), to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 3.3(a), including any termination statements, endorsements or other instruments of transfer or release. The ABL Lender, for itself and on behalf of the other ABL Secured Parties, hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent of the Noteholder, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the ABL Lender or any ABL Secured Party for the purpose of carrying out the terms of this Section 3.3(b), to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 3.3(b), including any termination statements, endorsements or other instruments of transfer or release.

(d) Nothing contained in this Intercreditor Agreement shall be construed to modify the obligation of ABL Lender or the Collateral Agent to act in a commercially reasonable manner in the exercise of its rights to sell, lease, license, exchange, transfer or otherwise dispose of any ABL Collateral.

#### 3.4 Insurance and Condemnation Awards.

(a) So long as the Discharge of Priority Debt has not occurred, the ABL Lender and the other ABL Secured Parties shall have the sole and exclusive right, subject to the rights of ABL Loan Parties under the ABL Documents, to settle and adjust claims in respect of ABL Collateral under policies of insurance and to approve any award granted in any condemnation or similar proceeding, or any deed in lieu of condemnation in respect of the ABL Collateral. So long as the Discharge of Priority Debt has not occurred, all proceeds of any such policy and any such award, or any payments with respect to a deed in lieu of condemnation, shall (i) first be paid to the ABL Lender for the benefit of the ABL Secured Parties to the extent required under the ABL Documents until the Priority Debt has been paid in full, (ii) second, be paid to the Collateral Agent for the benefit of the Noteholder Secured Parties to the extent required under the applicable Noteholder Documents until the Discharge of Noteholder Debt has occurred, (iii) third, be paid to the ABL Lender for the benefit of the ABL Secured Parties to the extent required under the ABL Documents until the ABL Debt has been paid in full, and (iv) fourth, be paid to the owner of the subject property or as a court of competent jurisdiction may otherwise direct or may otherwise be required by applicable law. Until the Discharge of Priority Debt, if the Collateral Agent or any other Noteholder Secured Party shall, at any time, receive any proceeds of any such insurance policy or any such award or payment, it shall pay such proceeds over to the ABL Lender in accordance with the terms of Section 4.2.

(b) After the Discharge of Priority Debt has occurred but before the Discharge of Priority Noteholder Debt has occurred, the Collateral Agent and the other Noteholder Secured Parties shall have the sole and exclusive right, subject to the rights of ABL Loan Parties under the Noteholder Documents, to settle and adjust claims in respect of ABL Collateral under policies of insurance and to approve any award granted in any condemnation or similar proceeding, or any deed in lieu of condemnation in respect of the ABL Collateral. After the Discharge of Priority Debt has occurred but before the Discharge of Priority Noteholder Debt has occurred, all proceeds of any such policy and any such award, or any payments with respect to a deed in lieu of condemnation, shall (i) first be paid to the Collateral Agent for the benefit of the Noteholder Secured Parties to the extent required under the Noteholder Documents until the Noteholder Debt has been paid in full, (ii) second, be paid to the ABL Lender for the benefit of the ABL Secured Parties to the extent required under the ABL Documents until the Excess ABL Debt has been paid in full, and (iii) third, be paid to the owner of the subject property or as a court of competent jurisdiction may otherwise direct or may otherwise be required by applicable law. After the Discharge of Priority Debt has occurred but before the Discharge of Priority Noteholder Debt has occurred, if the ABL Lender or any other ABL Secured Party shall, at any time, receive any proceeds of any such insurance policy or any such award or payment, it shall pay such proceeds over to the Collateral Agent in accordance with the terms of Section 4.2.

#### **SECTION 4. PAYMENTS.**

##### **4.1 Application of Proceeds.**

(a) So long as the Discharge of ABL Debt has not occurred, the ABL Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such ABL Collateral upon the exercise of remedies, shall be applied in the following order of priority:

(i) first, to the ABL Priority Debt (including for cash collateral as required under the ABL Documents), and in such order as specified in the relevant ABL Documents until the Discharge of Priority Debt has occurred;

(ii) second, to the Noteholder Debt in such order as specified in the relevant Noteholder Documents until the Discharge of Priority Noteholder Debt has occurred; and

(iii) third, to the Excess ABL Debt until the Discharge of ABL Debt has occurred.

(b) Upon the Discharge of Priority Debt, to the extent permitted under applicable law, the ABL Lender shall deliver to the Collateral Agent, without representation or recourse, any proceeds of ABL Collateral held by it at such time in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the Collateral Agent to the Noteholder Debt in such order as specified in the relevant Noteholder Documents.

(c) The foregoing provisions of this Section 4.1 are intended solely to govern the respective Lien priorities as between the Collateral Agent and the Noteholder Secured Parties, on the one hand, and the ABL Lender and the other ABL Secured Parties, on the other hand, and shall not impose on ABL Lender or any other ABL Secured Party or on Collateral Agent or any other Noteholder Secured Party any obligations in respect of the disposition of proceeds of foreclosure on any ABL Collateral which would conflict with prior perfected claims therein in favor of any other person or any order or decree of any court or other governmental authority or any applicable law.

4.2 Payments Over. So long as the Discharge of Priority Debt has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any ABL Loan Party, the Collateral Agent agrees, for itself and on behalf of the other Noteholder Secured Parties, that any ABL Collateral or proceeds from the enforcement of remedies with respect to the ABL Collateral (including any right of set-off) with respect to the ABL Collateral, and including in connection with any insurance policy claim or any condemnation award (or deed in lieu of condemnation) with respect to ABL Collateral, shall be segregated and held in trust and promptly transferred or paid over to the ABL Lender for the benefit of the ABL Secured Parties in the same form as received, with any necessary endorsements or assignments or as a court of competent jurisdiction may otherwise direct. After the Discharge of Priority Debt has occurred but before the Discharge of Priority Noteholder Debt has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any ABL Loan Party, the ABL Lender agrees, for itself and on behalf of the other ABL Secured Parties, that any ABL Collateral or proceeds from the enforcement of remedies with respect to the ABL Collateral or payment with respect thereto received by the ABL Lender or any other ABL Secured Party (including any right of set-off) with respect to the ABL Collateral, and including in connection with any insurance policy claim or any condemnation award (or deed in lieu of condemnation) with respect to ABL Collateral, shall be segregated and held in trust and promptly transferred or paid over to the Collateral Agent for the benefit of the Noteholder Secured Parties in the same form as received, with any necessary endorsements or assignments or as a court of competent jurisdiction may otherwise direct. The ABL Lender or the Collateral Agent, as applicable, is hereby authorized to make any such endorsements or assignments as agent for the other. This authorization is coupled with an interest and is irrevocable.

## **SECTION 5. BAILEE FOR PERFECTION.**

### **5.1 Each Lender as Bailee.**

(a) Each of ABL Lender and Collateral Agent (each, for purposes of this Section 5, an “Agent”) agrees to hold any ABL Collateral that can be perfected or the priority of which can be enhanced by the possession or control of such ABL Collateral or of any account in which such ABL Collateral is held, and if such ABL Collateral or any such account is in fact in the possession or under the control of an Agent, or of agents or bailees of such Agent (such ABL Collateral being referred to herein as the “Pledged ABL Collateral”), as bailee and agent for and on behalf of the other Agent solely for the purpose of perfecting the Lien granted to the other Agent in such Pledged ABL Collateral or enhancing the priority of such Lien (including, but not limited to, any securities or any deposit accounts or securities accounts, if any) pursuant to the ABL Documents or Noteholder Documents, as applicable, subject to the terms and conditions of this Section 5.

(b) Until the Discharge of Priority Debt has occurred, the ABL Lender shall be entitled to deal with the Pledged ABL Collateral in accordance with the terms of the ABL Documents subject to the terms of this Intercreditor Agreement and to the ABL Loan Parties' rights under the ABL Documents.

(c) Each of ABL Lender and Collateral Agent shall have no obligation whatsoever to the other Agent or any other Secured Party to assure that the Pledged ABL Collateral is genuine or owned by any of the ABL Loan Parties or to preserve rights or benefits of any Person except as expressly set forth in this Section 5. The duties or responsibilities of each of ABL Lender and Collateral Agent under this Section 5 shall be limited solely to holding the Pledged ABL Collateral as bailee and agent for and on behalf of the other Agent for purposes of perfecting or enhancing the priority of the Lien held by the other Agent.

(d) Each of ABL Lender and Collateral Agent shall not have by reason of the ABL Documents, the Noteholder Documents or this Intercreditor Agreement or any other document a fiduciary relationship in respect of the other Agent or any of the other Secured Parties and shall not have any liability to the other Agent or any other Secured Party in connection with its holding the Pledged ABL Collateral, other than for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court of competent jurisdiction.

5.2 Transfer of Pledged ABL Collateral. Upon the Discharge of Priority Debt, to the extent permitted under applicable law, the ABL Lender shall, without recourse or warranty, transfer the possession and control of the Pledged ABL Collateral, if any, then in its possession or control to Collateral Agent, except in the event and to the extent (a) the ABL Lender or any other ABL Secured Party has retained or otherwise acquired such ABL Collateral in full or partial satisfaction of any of the ABL Debt, (b) such ABL Collateral is sold or otherwise disposed of by the ABL Lender or any other ABL Secured Party or by a ABL Loan Party as provided herein or (c) it is otherwise required by any order of any court or other governmental authority or applicable law. The foregoing provision shall not impose on the ABL Lender or any other ABL Secured Party any obligations which would conflict with prior perfected claims therein in favor of any other person or any order or decree of any court or other governmental authority or any applicable law. In connection with any transfer described herein to Collateral Agent, the Agent agrees to take reasonable actions in its power (with all costs and expenses in connection therewith to be for the account of the Collateral Agent and to be paid by Borrowers) as shall be reasonably requested by the Collateral Agent to permit the Collateral Agent to obtain, for the benefit of the Noteholder Secured Parties, a first priority Lien in the Pledged ABL Collateral.

## SECTION 6. INSOLVENCY OR LIQUIDATION PROCEEDINGS.

6.1 General Applicability. This Intercreditor Agreement shall be applicable both before and after the institution of any Insolvency or Liquidation Proceeding involving Borrower or any other ABL Loan Party, including, without limitation, the filing of any petition by or against Borrower or any other ABL Loan Party under the Bankruptcy Code or under any other Bankruptcy Law and all converted or subsequent cases in respect thereof, and all references herein to Borrower or any ABL Loan Party shall be deemed to apply to the trustee for Borrower or such ABL Loan Party and Borrower or such ABL Loan Party as debtor-in-possession. The relative rights of the ABL Secured Parties and the Noteholder Secured Parties in or to any distributions from or in respect of any ABL Collateral or proceeds of ABL Collateral shall continue after the institution of any Insolvency or Liquidation Proceeding involving Borrower or any other ABL Loan Party, including, without limitation, the filing of any petition by or against Borrower or any other ABL Loan Party under the Bankruptcy Code or under any other Bankruptcy Law and all converted cases and subsequent cases, on the same basis as prior to the date of such institution, subject to (i) any court order approving the financing of, or use of cash collateral by, Borrower or any other ABL Loan Party as debtor-in-possession, or (ii) any other court order affecting the rights and interests of the parties hereto, in either case so long as such court order is not in conflict with this Intercreditor Agreement. This Agreement shall constitute a Subordination Agreement for the purposes of Section 510(a) of the Bankruptcy Code and shall be enforceable in any Insolvency or Liquidation Proceeding in accordance with its terms.

6.2 Bankruptcy Financing. If any ABL Loan Party becomes subject to any Insolvency or Liquidation Proceeding, until the Discharge of Priority Debt has occurred, the Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, agrees that:

(a) each Noteholder Secured Party will raise no objection to, nor support any other Person objecting to, and will be deemed to have consented to, the use of any ABL Collateral constituting cash collateral under Section 363 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law or any post-petition financing, provided by any ABL Secured Party or any Qualified Financier (which agrees to be bound by Section 8 hereof) under Section 364 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law (a “DIP Financing”), will not request or accept adequate protection or any other relief in connection with the use of such cash collateral or such DIP Financing except as set forth in Section 6.4 below and will subordinate (and will be deemed hereunder to have subordinated) the Liens granted to Noteholder Secured Parties to such DIP Financing on the same terms as such Liens are subordinated to the Liens granted to ABL Lender hereunder (and such subordination will not alter in any manner the terms of this Intercreditor Agreement), to any adequate protection provided to the ABL Secured Parties and to any “carve out” agreed to by the ABL Lender; provided that:

(i) the ABL Lender does not oppose or object to such use of cash collateral or DIP Financing,

(ii) the aggregate principal amount of such DIP Financing, together with the ABL Debt as of such date, does not exceed the principal component of Maximum Priority ABL Debt, and the DIP Financing is treated as ABL Debt hereunder,

(iii) the Liens granted to the ABL Secured Parties or Qualified Financier in connection with such DIP Financing are subject to this Intercreditor Agreement and considered to be Liens of ABL Lender for purposes hereof,

(iv) the Collateral Agent retains a Lien on the ABL Collateral (including proceeds thereof) with the same priority as existed prior to such Insolvency or Liquidation Proceeding (except to the extent of any “carve out” agreed to by the ABL Lender),

(v) the Collateral Agent receives replacement Liens on all assets, including post-petition assets, of any ABL Loan Party in which any of the ABL Lender obtains a replacement Lien, or which secure the DIP Financing, with the same priority relative to the Liens of ABL Lender as existed prior to such Insolvency or Liquidation Proceeding, and

(vi) the Noteholder Secured Parties may oppose or object to such use of cash collateral or DIP Financing on the same bases as an unsecured creditor, so long as such opposition or objection is not based on the Noteholder Secured Parties’ status as secured creditors.

(b) no Noteholder Secured Party shall, directly or indirectly, provide, or seek to provide, DIP Financing secured by Liens equal or senior in priority to the Liens on the ABL Collateral of ABL Lender, without the prior written consent of ABL Lender.

6.3 Relief from the Automatic Stay. The Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, agrees that, so long as the Discharge of Priority Debt has not occurred, no Noteholder Secured Party shall, without the prior written consent of the ABL Lender, seek or request relief from or modification of the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of any part of the ABL Collateral, any proceeds thereof or any Lien securing any of the Noteholder Debt. Notwithstanding anything to the contrary set forth in this Intercreditor Agreement, no ABL Loan Party waives or shall be deemed to have waived any rights under Section 362 of the Bankruptcy Code.

#### 6.4 Adequate Protection.

(a) The Collateral Agent, on behalf of itself and the other Noteholder Secured Parties, agrees that none of them shall object, contest, or support any other Person objecting to or contesting, (i) any request by the ABL Lender or any of the other ABL Secured Parties for adequate protection of the First Priority Debt or any adequate protection provided to the ABL Lender or other ABL Secured Parties with respect to the First Priority Debt or (ii) any objection by the ABL Lender or any of the other ABL Secured Parties to any motion, relief, action or proceeding based on a claim of a lack of adequate protection for the First Priority Debt or (iii) the payment of interest, fees, expenses or other amounts to the ABL Lender or any other ABL Secured Party with respect to the First Priority Debt under Section 506(b) or 506(c) of the Bankruptcy Code or otherwise.



(b) The Collateral Agent, on behalf of itself and the other Noteholder Secured Parties, agrees that none of them shall seek or accept adequate protection with respect to the Noteholder Debt secured by Liens on the ABL Collateral without the prior written consent of the ABL Lender; except, that, the Collateral Agent, for itself or on behalf of the other Noteholder Secured Parties, or the Noteholder Secured Parties shall be permitted (i) to obtain adequate protection in the form of the benefit of additional or replacement Liens on the ABL Collateral (including proceeds thereof arising after the commencement of any Insolvency or Liquidation Proceeding), or additional or replacement ABL Collateral to secure the Noteholder Debt, in connection with any DIP Financing or use of cash collateral as provided for in Section 6.2 above, or in connection with any such adequate protection obtained by ABL Lender and the other ABL Secured Parties, as long as in each case, the ABL Lender is also granted such additional or replacement Liens or additional or replacement ABL Collateral and such Liens of Collateral Agent or any other Noteholder Secured Party are subordinated to the Liens securing the ABL Debt to the same extent as the Liens of Collateral Agent and the other Noteholder Secured Parties on the ABL Collateral are subordinated to the Liens of ABL Lender and the other ABL Secured Parties hereunder and (ii) to obtain adequate protection in the form of reports, notices, inspection rights and similar forms of adequate protection to the extent granted to the ABL Lender.

6.5 Reorganization Securities. If, in any Insolvency or Liquidation Proceeding, debt obligations of any reorganized ABL Loan Party secured by Liens upon any property of such reorganized ABL Loan Party are distributed, pursuant to a plan of reorganization, on account of both the ABL Debt and the Noteholder Debt, then, to the extent the debt obligations distributed on account of the ABL Debt and on account of the Noteholder Debt are secured by Liens upon the same assets or property, the provisions of this Intercreditor Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.6 Separate Classes. Each of the parties hereto irrevocably acknowledges and agrees that (a) the claims and interests of the ABL Secured Parties and the Noteholder Secured Parties are not “substantially similar” within the meaning of Section 1122 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, (b) the grants of the Liens to secure the ABL Debt and the grants of the Liens to secure the Noteholder Debt constitute two separate and distinct grants of Liens, (c) the ABL Secured Parties’ rights in the ABL Collateral are fundamentally different from the Noteholder Secured Parties’ rights in the ABL Collateral and (d) as a result of the foregoing, among other things, the ABL Debt and the Noteholder Debt must be separately classified in any plan of reorganization proposed or adopted in any Insolvency or Liquidation Proceeding.

6.7 Asset Dispositions. Until the Discharge of Priority Debt has occurred, the Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, agrees that, in the event of any Insolvency or Liquidation Proceeding, the Noteholder Secured Parties will not object or oppose (or support any Person in objecting or opposing) a motion to any sale, lease, license, exchange, transfer or other disposition of any ABL Collateral free and clear of the Liens of Collateral Agent and the other Noteholder Secured Parties or other claims under Section 363 of the Bankruptcy Code, or any comparable provision of any Bankruptcy Law and shall be deemed to have consented to any such any sale, lease, license, exchange, transfer or other disposition of any ABL Collateral under Section 363(f) of the Bankruptcy Code that has been consented to by the ABL Lender; provided, that, (a) the proceeds of such sale, lease, license, exchange, transfer or other disposition of any ABL Collateral to be applied to the ABL Debt or the Noteholder Debt are applied in accordance with Section 4.1. Nothing herein shall prevent the Collateral Agent or the Noteholder Secured Parties from taking Permitted Actions or action permitted under Section 3.2 permitted to unsecured creditors.

## 6.8 Preference Issues.

(a) If, in any Insolvency or Liquidation Proceeding or otherwise, all or part of any payment with respect to the First Priority Debt previously made shall be rescinded for any reason whatsoever, then the First Priority Debt shall be reinstated to the extent of the amount so rescinded and, if theretofore terminated, this Intercreditor Agreement shall be reinstated in full force and effect and such prior termination shall not diminish, release, discharge, impair or otherwise affect the Lien priorities and the relative rights and obligations of the ABL Secured Parties and the Noteholder Secured Parties provided for herein.

(b) If, in any Insolvency or Liquidation Proceeding or otherwise, all or part of any payment with respect to the Noteholder Debt previously made shall be rescinded for any reason whatsoever and the Discharge of Priority Debt shall, subject to (for the avoidance of doubt) the immediately preceding clause (a), have occurred, then the Noteholder Debt shall be reinstated to the extent of the amount so rescinded and, if theretofore terminated, this Intercreditor Agreement shall be reinstated in full force and effect and such prior termination shall not diminish, release, discharge, impair or otherwise affect the Lien priorities and the relative rights and obligations of the Noteholder Secured Parties and any Person that holds ABL Excess Debt provided for herein solely with respect to any ABL Excess Claims and for the avoidance of doubt, not with respect to any First Priority Debt.

6.9 Certain Waivers as to Section 1111(b)(2) of Bankruptcy Code. The Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, waives any claim any Noteholder Secured Party may hereafter have against any ABL Secured Party arising out of the election by any ABL Secured Party of the application of Section 1111(b)(2) of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law. The ABL Lender, for itself and on behalf of the other ABL Secured Parties, waives any claim any ABL Secured Party may hereafter have against any Noteholder Secured Party arising out of the election by any Noteholder Secured Party of the application of Section 1111(b)(2) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law.

6.10 Other Bankruptcy Laws. In the event that an Insolvency or Liquidation Proceeding is filed in a jurisdiction other than the United States or is governed by any Bankruptcy Law other than the Bankruptcy Code, each reference in this Intercreditor Agreement to a section of the Bankruptcy Code shall be deemed to refer to the substantially similar or corresponding provision of the Bankruptcy Law applicable to such Insolvency or Liquidation Proceeding, or in the absence of any specific similar or corresponding provision of the Bankruptcy Law, such other general Bankruptcy Law as may be applied in order to achieve substantially the same result as would be achieved under each applicable section of the Bankruptcy Code.

## **SECTION 7. NOTEHOLDER SECURED PARTIES' PURCHASE OPTION.**

7.1 Exercise of Option. On or after the occurrence and during the continuance of an ABL Event of Default and either the acceleration of all of the ABL Debt or the receipt by Collateral Agent of written notice from ABL Lender of its intention to commence a Lien Enforcement Action as provided in Section 7.5 below, the Noteholder Secured Parties shall have the option at any time within ninety (90) days of such acceleration or written notice, upon five (5) Business Days' prior written notice by Collateral Agent to ABL Lender, to purchase all (but not less than all) of the ABL Debt from the ABL Secured Parties. Such notice from Collateral Agent to ABL Lender shall be irrevocable.

7.2 Purchase and Sale. On the date specified by Collateral Agent in the notice referred to in Section 7.1 (which shall not be less than five (5) Business Days, nor more than twenty (20) days, after the receipt by ABL Lender of the notice from Collateral Agent of its election to exercise such option), ABL Secured Parties shall, subject to any required approval of any court or other regulatory or governmental authority then in effect (the time to obtain any such approval shall extend the proposed date of sale and purchase), if any, sell to Noteholder Secured Parties, and Noteholder Secured Parties shall purchase from ABL Secured Parties, all of the ABL Debt. Notwithstanding anything to the contrary contained herein, in connection with any such purchase and sale, ABL Secured Parties shall retain all rights under the ABL Documents to be indemnified or held harmless by ABL Loan Parties in accordance with the terms thereof.

7.3 Payment of Purchase Price.

(a) Upon the date of such purchase and sale, Noteholder Secured Parties shall (i) pay to ABL Lender for the account of the ABL Secured Parties as the purchase price therefor the full amount of all of the ABL Debt then outstanding and unpaid (including principal, interest, fees and expenses, including reasonable attorneys' fees and legal expenses), (ii) furnish cash collateral to ABL Lender in such amounts as ABL Lender determines is reasonably necessary to secure ABL Secured Parties in connection with any issued and outstanding letters of credit issued under the ABL Documents (but not in any event in an amount greater than one hundred five (105%) percent of the aggregate undrawn face amount of such letters of credit) (ABL Lender agrees to refund this cash collateral to the Noteholder Secured Parties to the extent any letter of credit expires or is terminated or any amount is reimbursed from other sources), and (iii) agree to reimburse ABL Secured Parties for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) in connection with any commissions, fees, costs or expenses related to any issued and outstanding letters of credit as described above and any checks or other payments provisionally credited to the ABL Debt, and/or as to which ABL Secured Parties have not yet received final payment.

(b) Such purchase price and cash collateral shall be remitted by wire transfer in federal funds to such bank account of ABL Lender as ABL Lender may designate in writing to Collateral Agent for such purpose. Interest shall be calculated to but excluding the Business Day on which such purchase and sale shall occur if the amounts so paid by Noteholder Secured Parties to the bank account designated by ABL Lender are received in such bank account prior to 12:00 noon, New York City time and interest shall be calculated to and including such Business Day if the amounts so paid by Noteholder Secured Parties to the bank account designated by ABL Lender are received in such bank account later than 12:00 noon, New York City time.

7.4 Representations Upon Purchase and Sale. Such purchase shall be expressly made without representation or warranty of any kind by ABL Secured Parties as to the ABL Debt, the ABL Collateral or otherwise and without recourse to ABL Secured Parties, except that each ABL Secured Party shall represent and warrant, severally, as to it: (a) the amount of the ABL Debt being purchased from it are as reflected in the books and records of such ABL Secured Party (but without representation or warranty as to the collectibility, validity or enforceability thereof), (b) that such ABL Secured Party owns the ABL Debt being sold by it free and clear of any liens or encumbrances and (c) such ABL Secured Party has the right to assign the ABL Debt being sold by it and the assignment is duly authorized. Upon the purchase by Noteholder Secured Parties of the ABL Debt, Noteholder Secured Parties agree to indemnify and hold ABL Secured Parties harmless from and against all loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) suffered or incurred by ABL Secured Parties arising from or in any way relating to acts or omissions of Collateral Agent or any of the other Noteholder Secured Parties after the purchase. Subject to the foregoing, ABL Secured Parties shall execute and deliver such instruments of transfer and other documents as shall be necessary or desirable to fully vest title to the ABL Debt in the Noteholder Secured Parties (or their designee) and to effectively transfer all Liens securing the ABL Debt to the Noteholder Secured Parties (or their designee).

7.5 Notice from ABL Lender Prior to Lien Enforcement Action. ABL Lender agrees that it will give Collateral Agent ten (10) Business Days prior written notice of its intention to commence a Lien Enforcement Action. In the event that during such ten (10) Business Day period, Collateral Agent shall send to ABL Lender the irrevocable notice of the intention of the Noteholder Secured Parties to exercise the purchase option given by ABL Secured Parties to Noteholder Secured Parties under this Section 7, ABL Secured Parties shall not commence any foreclosure or other action to sell or otherwise realize upon the ABL Collateral, provided, that, the purchase and sale with respect to the ABL Debt provided for herein shall have closed within thirty (30) Business Days thereafter and ABL Secured Parties shall have received final payment in full of the ABL Debt as provided for herein within such thirty (30) Business Day period.

#### **SECTION 8. RELIANCE; WAIVERS; ETC.**

8.1 Reliance. The consent by the ABL Secured Parties to the execution and delivery of the Noteholder Documents and the grant to the Collateral Agent on behalf of the Noteholder Secured Parties of a Lien on the ABL Collateral and all loans and other extensions of credit made or deemed made on and after the date hereof by the Noteholder Secured Parties to any ABL Loan Party shall be deemed to have been given and made in reliance upon this Intercreditor Agreement.

8.2 No Warranties or Liability. The Collateral Agent, for itself and on behalf of the other Noteholder Secured Parties, acknowledges and agrees that each of the ABL Lender and the other ABL Secured Parties have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the ABL Documents, the ownership of any ABL Collateral or the perfection or priority of any Liens thereon. The Collateral Agent agrees, for itself and on behalf of the other Noteholder Secured Parties, that the ABL Secured Parties will be entitled to manage and supervise their respective loans and extensions of credit under the ABL Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the ABL Secured Parties may manage their loans and extensions of credit without regard to any rights or interests that the Collateral Agent or any of the other Noteholder Secured Parties have in the ABL Collateral or otherwise, in each case except as otherwise provided in this Intercreditor Agreement. The ABL Lender, for itself and on behalf of the ABL Secured Parties, acknowledges and agrees that neither the Collateral Agent nor any other Noteholder Secured Party has made any express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Noteholder Documents, the ownership of any ABL Collateral or the perfection of priority of any Liens thereon. The ABL Lender agrees, for itself and on behalf of the other ABL Secured Parties, that the Collateral Agent and the Noteholder Secured Parties will be entitled to manage the Noteholder Debt under the Noteholder Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Collateral Agent and the Noteholder Secured Parties may manage their Noteholder Debt without regard to any rights or interests that the ABL Lender or any of the other ABL Secured Parties have in the ABL Collateral or otherwise, in each case except as otherwise provided in this Intercreditor Agreement. Neither the ABL Lender nor any of the other ABL Secured Parties shall have any duty to the Collateral Agent or any of the other Noteholder Secured Parties, and neither the Collateral Agent or any of the other Noteholder Secured Parties shall have any duty to the ABL Lender or any of the ABL Secured Parties, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with any ABL Loan Party (including the Noteholder Documents or any ABL Documents), regardless of any knowledge thereof which they may have or be charged with.

8.3 No Waiver of Lien Priorities.

(a) No right of the ABL Lender or any of the other ABL Secured Parties or of the Collateral Agent or the Noteholder Secured Parties to enforce any provision of this Intercreditor Agreement or any of the ABL Documents or Noteholder Documents, as the case may be, shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any ABL Loan Party, or by any noncompliance by any Person with the terms, provisions and covenants of this Intercreditor Agreement, any of the ABL Documents or any of the Noteholder Documents, regardless of any knowledge thereof which the ABL Lender or any of the other ABL Secured Parties or the Collateral Agent or the Noteholder Secured Parties may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the ABL Loan Parties under the ABL Documents and the rights of the Noteholder Secured Parties under the Noteholder Documents), the ABL Lender and any of the other ABL Secured Parties may, at any time and from time to time, without the consent of, or notice to, the Collateral Agent or any other Noteholder Secured Party, without incurring any liabilities to the Collateral Agent or any other Noteholder Secured Party and without impairing or releasing the Lien priorities and other benefits provided in this Intercreditor Agreement (even if any right of subrogation or other right or remedy of the Collateral Agent or any other Noteholder Secured Party is affected, impaired or extinguished thereby) do any one or more of the following:

(i) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the ABL Debt or any Lien on any ABL Collateral or guaranty thereof or any liability of any ABL Loan Party, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the ABL Debt, without any restriction as to the amount, tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the ABL Lender or any of the other ABL Secured Parties, the ABL Debt or any of the ABL Documents; except that the ABL Lender and the ABL Secured Parties may not consent to any amendment, modification or waiver to the ABL Documents that:

(A) results in the sum of (1) the aggregate principal amount of loans outstanding under the ABL Documents, plus (2) the unused portion of the revolving commitments under the ABL Documents, plus (3) the aggregate face amount of all letters of credit issued or deemed issued and outstanding under the ABL Documents plus (4) the Cash Management Obligations plus the Hedging Obligations (in the case of each of the foregoing, as determined after giving effect to such amendment, modification or waiver) exceeding \$75,000,000,

(B) increase the “Applicable Margins” or similar component of the interest rate under the ABL Loan Agreement in a manner that would result in the total yield on the ABL Debt to exceed by more than two (2%) percent per annum the total yield on the ABL Debt as in effect on the date hereof (excluding increases resulting from the accrual or payment of interest at the default rate),

(C) modify or add any covenant or event of default under the ABL Documents that directly restricts Borrower or its subsidiaries from making payments of the Noteholder Debt that would otherwise be permitted under the ABL Documents as in effect on the date hereof,

(D) contractually subordinate the Liens of the ABL Secured Parties to any other debt of ABL Loan Parties,

(E) extend the stated maturity date of the Indebtedness under the ABL Loan Agreement to a date beyond the stated maturity date of the Notes (as in effect on the date hereof or as hereafter extended), or

(F) contravene the provisions of this Intercreditor Agreement;

(ii) until Discharge of Priority Debt, sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the ABL Collateral or any liability of any ABL Loan Party to the ABL Lender or any of the other ABL Secured Parties, or any liability incurred directly or indirectly in respect thereof in accordance with the terms hereof;

(iii) settle or compromise any of the ABL Debt or any other liability of any ABL Loan Party or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including the ABL Debt) in any manner or order, but subject however to the terms of this Intercreditor Agreement; and

(iv) exercise or delay in or refrain from exercising any right or remedy against any ABL Loan Party or any other Person, elect any remedy and otherwise deal freely with any ABL Loan Party or any ABL Collateral and any security and any guarantor or any liability of any ABL Loan Party to any of the ABL Secured Parties or any liability incurred directly or indirectly in respect thereof, but subject however to the terms of this Intercreditor Agreement.

(c) Each of the Collateral Agent and the ABL Lender agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the ABL Collateral or any other similar rights a junior secured creditor may have under applicable law with respect to the ABL Collateral.

## **SECTION 9. MISCELLANEOUS.**

9.1 Conflicts. In the event of any conflict between the provisions of this Intercreditor Agreement and the provisions of the ABL Documents or the Noteholder Documents, the provisions of this Intercreditor Agreement shall govern.

9.2 Continuing Nature of this Intercreditor Agreement; Severability. This Agreement shall continue to be effective until the earlier of (a) the Discharge of ABL Debt or (b) the final payment in full in cash of the Noteholder Debt and the termination and release by each Noteholder Secured Party of any Liens to secure the Noteholder Debt. This is a continuing agreement of Lien subordination and the ABL Secured Parties may continue, at any time and without notice to the Collateral Agent or any other Noteholder Secured Party, to extend credit and other financial accommodations and lend monies to or for the benefit of any ABL Loan Party constituting ABL Debt in reliance hereon and the Noteholder Secured Parties may purchase Notes constituting Noteholder Debt in reliance hereon. Each of the Collateral Agent, for itself and on behalf of the Noteholder Secured Parties, and the ABL Lender, for itself and on behalf of the ABL Secured Parties, hereby waives any right it may have under applicable law to revoke this Intercreditor Agreement or any of the provisions of this Intercreditor Agreement. The terms of this Intercreditor Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Intercreditor Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.3 When Discharge of ABL Debt Deemed to Not Have Occurred. If substantially contemporaneously with the Discharge of ABL Debt, Borrower refinances indebtedness outstanding under the ABL Documents, then after written notice to Collateral Agent, (a) the indebtedness and other obligations arising pursuant to such refinancing of the then outstanding indebtedness under the ABL Documents shall automatically be treated as ABL Debt for all purposes of this Intercreditor Agreement, including for purposes of the Lien priorities and rights in respect of ABL Collateral set forth herein, provided that such indebtedness would have been a permitted modification or amendment under Section 8.3(b) hereof, (b) the credit agreement and the other loan documents evidencing such new indebtedness shall automatically be treated as the ABL Loan Agreement and the ABL Documents for all purposes of this Intercreditor Agreement and (c) the administrative agent under the new ABL Loan Agreement shall be deemed to be the ABL Lender for all purposes of this Intercreditor Agreement.

9.4 Amendments to Noteholder Documents. Without the prior written consent of the ABL Lender, no Noteholder Document may be amended, supplemented or otherwise modified, and no new Noteholder Document may be entered into, to the extent such amendment, supplement or other modification or new document would contravene the provisions of this Intercreditor Agreement.

9.5 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Intercreditor Agreement by the Collateral Agent or the ABL Lender shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The ABL Loan Parties shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Intercreditor Agreement except to the extent their rights or obligations are directly affected.

9.6 Subrogation; Marshalling.

(a) The Collateral Agent agrees that no payment or distribution to any ABL Secured Party pursuant to the provisions of this Intercreditor Agreement shall entitle any Noteholder Secured Party to exercise any rights of subrogation in respect thereof until the Discharge of Priority Debt shall have occurred. Following the Discharge of Priority Debt, each the ABL Lender agrees to execute such documents, agreements, and instruments as the Collateral Agent or any Noteholder Secured Party may reasonably request to evidence the transfer by subrogation to any the Collateral Agent, for the benefit of the Noteholder Secured Parties, of an interest in the First Priority Debt resulting from payments or distributions to such ABL Secured Party by such Person, so long as all reasonable costs and expenses (including all reasonable legal fees and disbursements) incurred in connection therewith by such ABL Secured Party are paid by such Person upon request for payment thereof.

(b) Noteholder Secured Parties hereby waives any and all rights to have any ABL Collateral or any part thereof granted to or held by ABL Lender marshaled upon any foreclosure or other disposition of such ABL Collateral by ABL Lender or any ABL Loan Party with the consent of ABL Lender and ABL Secured Parties hereby waive any and all rights to have any ABL Collateral or any part thereof granted to or held by Collateral Agent or any other Noteholder Secured Party marshaled upon any foreclosure or other disposition of such ABL Collateral by Collateral Agent or any Noteholder Secured Party or any ABL Loan Party with the consent of Noteholder Secured Parties, in each case subject to the other terms of this Intercreditor Agreement.

9.7 Consent to Jurisdiction; Waivers. The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 9.9 below for such party. The parties hereto waive any objection to any action instituted hereunder based on forum non conveniens, and any objection to the venue of any action instituted hereunder. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Intercreditor Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.



9.8 Notices. All notices to the Noteholder Secured Parties and the ABL Secured Parties permitted or required under this Intercreditor Agreement may be sent to the Collateral Agent and the ABL Lender, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, electronically mailed or sent by courier service, facsimile transmission or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a facsimile transmission or electronic mail or four (4) Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

Collateral Agent:

U.S. Bank National Association  
Global Corporate Trust Services  
60 Livingstone Avenue  
EP-MN-WS3C  
St. Paul, Minnesota 55107-2292  
Attention: Joshua A. Hahn  
Facsimile No.: 651-466-7430

ABL Lender:

Wells Fargo Bank, National Association  
100 Park Avenue, 14th Floor  
New York, New York 10017  
MAC J0149-030  
Attention: Portfolio Manager - Liggett  
Facsimile No.: 212-545-4283

Each ABL Loan Party:

Liggett Group LLC  
100 Maple Lane  
Mebane, North Carolina 27302  
Attention: John Long  
Facsimile No.: 919-990-3505

with a copy to:

Vector Group Ltd.  
100 S.E. 2nd Street, 32nd Floor  
Miami, Florida 33131  
Attention: Marc Bell  
Facsimile No.: 305-579-8016

#### 9.9 Further Assurances.

(a) The Collateral Agent agrees that it shall, for itself and on behalf of the Noteholder Secured Parties, take such further action and shall execute and deliver to the ABL Lender such additional documents and instruments (in recordable form, if requested) as the ABL Lender may reasonably request to effectuate the terms of and the lien priorities contemplated by this Intercreditor Agreement.

(b) The ABL Lender agrees that it shall, for itself and on behalf of the ABL Secured Parties, take such further action and shall execute and deliver to the Collateral Agent such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by this Intercreditor Agreement.

9.10 Consent to Jurisdiction; Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK IN NEW YORK COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT.

9.11 Governing Law. The validity, construction and effect of this Intercreditor Agreement shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or any other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

9.12 Binding on Successors and Assigns. This Agreement shall be binding upon the ABL Lender, the other ABL Secured Parties, the Collateral Agent, the other Noteholder Secured Parties, ABL Loan Parties and their respective permitted successors and assigns.

9.13 Specific Performance. The ABL Lender or the Collateral Agent may demand specific performance of this Intercreditor Agreement. The Collateral Agent, for itself and on behalf of the Noteholder Secured Parties, and the ABL Lender, for itself and on behalf of the ABL Secured Parties, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the ABL Lender or the Collateral Agent, as applicable.

9.14 Section Titles; Time Periods. The section titles contained in this Intercreditor Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Intercreditor Agreement.

9.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same document.

9.16 Authorization. By its signature, each Person executing this Intercreditor Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Intercreditor Agreement.

9.17 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of the holders of ABL Debt and Noteholder Debt. No other Person shall have or be entitled to assert rights or benefits hereunder.

**[SIGNATURE PAGES FOLLOW]**

IN WITNESS WHEREOF, the parties hereto have executed this Intercreditor Agreement as of the date first written above.

**ABL LENDER:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as ABL Lender

By: /s/ Andrew Rogow  
Name: Andrew Rogow  
Title: Vice President

**BORROWERS AND OTHER LOAN PARTIES:**

**LIGGETT GROUP LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Vice President, General Counsel and Secretary

**100 MAPLE LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Secretary

**COLLATERAL AGENT:**

**U.S. BANK NATIONAL ASSOCIATION**,  
as the Collateral Agent

By: /s/ Joshua A. Hahn

Name: Joshua A. Hahn  
Title: Assistant Vice President

Intercreditor & Subordination Agreement

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**Schedule A**

**To**

**Intercreditor and Lien Subordination Agreement**

**ABL Collateral**

(a) all Accounts arising from the sale or other disposition of Inventory;

(b) all general intangibles, including, without limitation, all Intellectual Property;

(c) all Inventory;

(d) all Equipment;

(e) all chattel paper (including all tangible and electronic chattel paper), in each case arising in connection with or related to, or constituting identifiable proceeds of, any of the Accounts that constitute Collateral, any Inventory or any of the other Collateral;

(f) all instruments (including all promissory notes), in each case arising in connection with or related to, or constituting identifiable proceeds of, any of the Accounts that constitute Collateral, any Inventory or any of the other Collateral;

(g) all documents arising in connection with or related to, or constituting identifiable proceeds of, any of the Accounts that constitute Collateral, any Inventory or any of the other Collateral;

(h) all deposit accounts;

(i) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights, in each case arising in connection with or related to, or constituting identifiable proceeds of, any of the Accounts that constitute Collateral, any Inventory or any of the other Collateral;

(j) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables arising from the sale or other disposition of Inventory or any of the other Collateral, including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables arising from the sale or other disposition of Inventory or any of the other Collateral, including returned, repossessed and reclaimed goods, and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(k) all (i) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts), in each case arising in connection with or related to, or constituting identifiable proceeds of any Collateral and (ii) monies, credit balances, deposits and other property of Borrower now or hereafter held or received by or in transit to Lender or its Affiliates or at any other depository or other institution from or for the account of Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise (including, without limitation, any Cash Collateral at any time held by Lender);

(l) all commercial tort claims, including, without limitation, those identified in the Information Certificate, in each case arising in connection with or related to, or constituting identifiable proceeds of, any of the Accounts that constitute Collateral, any Inventory or any of the other Collateral;

(m) to the extent not otherwise described above, all Receivables arising from the sale or other disposition of Inventory or of any other Collateral;

(n) the land, buildings, fixtures and other improvements at 100 Maple Lane, Mebane, North Carolina (the "Mebane Premises");

(o) all Records; and

(p) all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of or other involuntary conversion of any kind or nature of any or all of the other Collateral.

As used herein, "Collateral" shall not include (i) any of Borrower's Real Property other than the Mebane Premises, (ii) any of Borrower's Equipment to the extent any grant of a lien to Lender in such Equipment would be precluded by or require a consent under the terms and conditions of any purchase money or other financing of any such Equipment, whether now owned or hereafter acquired, or (iii) any proceeds of such assets and property that are excluded from Collateral.

**SIXTH SUPPLEMENTAL INDENTURE**

VECTOR GROUP LTD.

AND EACH OF THE GUARANTORS PARTY HERETO

11% SENIOR SECURED NOTES DUE 2015

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**SIXTH SUPPLEMENTAL INDENTURE**

Dated as of February 12, 2013

To

INDENTURE

Dated as of August 16, 2007

As supplemented by First Supplemental Indenture dated as of July 15, 2008,

Second Supplemental Indenture dated as of September 1, 2009,

Third Supplemental Indenture dated as of April 20, 2010,

Fourth Supplemental Indenture dated as of December 3, 2010, and

Fifth Supplemental Indenture dated as of December 16, 2010

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U.S. BANK NATIONAL ASSOCIATION

as Trustee and as Collateral Agent

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SIXTH SUPPLEMENTAL INDENTURE (this "Sixth Supplemental Indenture"), dated as of February 12, 2013, among Vector Group Ltd., a Delaware corporation (the "Company"), the Guarantors (as defined in the Indenture referred to herein) and U.S. Bank National Association, as Trustee and Collateral Agent (the "Trustee").

#### RECITALS OF THE COMPANY

WHEREAS, the Company and the Guarantors have heretofore executed and delivered an Indenture, dated as of August 16, 2007 (the "Base Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 15, 2008 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as of September 1, 2009 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of April 20, 2010 (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture, dated as of December 3, 2010 (the "Fourth Supplemental Indenture"), and a Fifth Supplemental Indenture, dated as of December 16, 2010 (the "Fifth Supplemental Indenture," and together with the Base Indenture, the First Supplemental Indenture, the Second Supplemental Indenture the Third Supplemental Indenture and the Fourth Supplemental Indenture, the "Indenture"), providing for the issuance by the Company of its 11% Senior Secured Notes due 2015 (the "Notes");

WHEREAS, the Company has offered to purchase for cash any and all outstanding Notes pursuant to the Offer to Purchase and Consent Solicitation Statement dated January 29, 2013, as amended or supplemented from time to time (the "Tender Offer").

WHEREAS, in connection with the Tender Offer, the Company has requested that Holders of the Notes deliver their consents with respect to amendments to certain provisions of the Indenture.

WHEREAS, pursuant to Section 9.02 of the Indenture, subject to certain exceptions inapplicable hereto, the Company and the Trustee may amend or supplement the Indenture and the Notes with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a tender offer for the Notes).

WHEREAS, the Holders of a majority in aggregate principal amount of the Notes outstanding have duly consented to the proposed amendments set forth in this Sixth Supplemental Indenture in accordance with Section 9.02 of the Indenture.

WHEREAS, the Company has heretofore delivered or is delivering contemporaneously herewith to the Trustee (i) one or more board resolutions authorizing the execution of this Sixth Supplemental Indenture, (ii) evidence of the written consent of the Holders set forth in the immediately preceding recital and (iii) the Officers' Certificate and the Opinion of Counsel described in Sections 9.06 and 13.04 of the Indenture.

WHEREAS, all conditions necessary to authorize the execution and delivery of this Sixth Supplemental Indenture and to make this Sixth Supplemental Indenture valid and binding have been complied with or have been done or performed.

#### NOW, THEREFORE, THIS SIXTH SUPPLEMENTAL INDENTURE WITNESSETH:

It is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

#### ARTICLE I AMENDMENT OF INDENTURE

##### Section 1.1 Amendments.

Subject to Section 2.1, the Indenture is hereby amended by deleting in their entireties Sections 4.03, 4.04 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 5.01, 6.01(3), 6.01(4), 6.01(5), 6.01(6), 6.01(7), 6.01(8), 6.01(9), 6.01(11) and 11.04 of the Indenture and replacing such sections with "[Intentionally Omitted.]". None of the Company, any Guarantor, the Trustee, the Collateral Agent or other parties to or beneficiaries of the Indenture shall have any rights, obligations or liabilities under such sections, and such sections shall not be considered in determining whether an Event of Default has occurred or whether the Company or any Guarantor has observed, performed or complied with the provisions of the Indenture.

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Section 1.2 Amendments to Definitions and Section References.

(a) Subject to Section 2.1, the Indenture is hereby amended by deleting any definitions from the Indenture with respect to which references have been eliminated as a result of the amendments to the Indenture pursuant to Section 1.1.

(b) Subject to Section 2.1, the Indenture is hereby amended by deleting therefrom any references to Sections of the Indenture which have been deleted as a result of the amendments to the Indenture pursuant to Section 1.1 and replacing such references with “[Intentionally Omitted.]”.

**ARTICLE II MISCELLANEOUS  
PROVISIONS**

Section 2.1 Effect of Sixth Supplemental Indenture.

The provisions of this Sixth Supplemental Indenture shall be effective only upon execution and delivery of this instrument by the parties hereto. Notwithstanding the foregoing sentence, the provisions of this Sixth Supplemental Indenture shall become operative only upon the acceptance for purchase by the Company, pursuant to the Tender Offer, of at least a majority in aggregate principal amount of the outstanding Notes, with the result that the amendments to the Indenture effected by this Sixth Supplemental Indenture shall be deemed to be revoked retroactive to the date hereof if such purchase shall not occur. The Company shall notify the Trustee in writing promptly after the occurrence of such purchase or promptly after the Company shall determine that such purchase will not occur and such notice shall state the date that this Sixth Supplemental Indenture becomes operative (if applicable). Except as amended hereby, the Indenture is in all respects ratified and confirmed and all the terms shall remain in full force and effect. This Sixth Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby and all terms and conditions of both shall be read together as though they constitute a single instrument, except that in the case of conflict the provisions of this Sixth Supplemental Indenture shall control.

Section 2.2 Capitalized Terms.

Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

Section 2.3 Successors.

All covenants and agreements in this Sixth Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 2.4 Separability Clause.

In case any provision in this Sixth Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.5 Governing Law.

**THIS SIXTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.**

Section 2.6 Counterparts.

This Sixth Supplemental Indenture may be signed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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Section 2.7 Interpretation.

The recitals contained herein shall be taken as the statements of the Company, and the Trustee does not assume any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Sixth Supplemental Indenture or the proper authorization or the due execution thereof by the Company. In entering into this Sixth Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture applicable to it, whether or not elsewhere herein so provided.

[Signature Pages Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**COMPANY:**

**VECTOR GROUP LTD.**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Vice President, Chief Financial Officer and Treasurer

**GUARANTORS:**

**ACCOMMODATIONS ACQUISITION CORPORATION  
EVE HOLDINGS INC.  
LIGGETT & MYERS HOLDINGS INC.  
VGR HOLDING LLC**

By: /s/ J. Bryant Kirkland III  
Name: J. Bryant Kirkland III  
Title: Authorized Officer

**LIGGETT VECTOR BRANDS LLC  
V.T. AVIATION LLC  
VECTOR RESEARCH LLC  
VECTOR TOBACCO INC.  
VGR AVIATION LLC**

By: /s/ Francis G. Wall  
Name: Francis G. Wall  
Title: Authorized Officer

**100 MAPLE LLC  
LIGGETT GROUP LLC**

By: /s/ John R. Long  
Name: John R. Long  
Title: Authorized Officer

Signature Page to Sixth Supplemental Indenture

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**TRUSTEE:**

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Joshua A. Hahn

Name: Joshua A. Hahn

Title: Assistant Vice President

Signature Page to Sixth Supplemental Indenture

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