SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

RJR Nabisco Holdings Corp.
(Name of Issuer)

Common Stock, par value $.01 per share
(Title of Class of Securities)

74960K 87 6
(CUSIP Number)

Richard J. Lampen, Esq.
Executive Vice President and General Counsel
New Valley Corporation, 100 S.E. Second Street,
32nd Floor, Miami, FL 33131 (305) 579-8000
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

Copy to:

Lawrence Lederman, Esq.
Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, NY 10005-1413
(212) 530-5732

February 28, 1996
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box |_|.

Check the following box if a fee is being paid with the statement |X|.

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: Brooke Group Ltd.

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: WC

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: 200

(8) SHARED VOTING POWER: -0-

(9) SOLE DISPOSITIVE POWER: 200

(10) SHARED DISPOSITIVE POWER: -0-

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: 200

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): Less than one-tenth of 1%

(14) TYPE OF REPORTING PERSON: HC; CO

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: BGLS Inc.

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: N/A

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: -0-

(8) SHARED VOTING POWER: -0-

(9) SOLE DISPOSITIVE POWER: -0-

(10) SHARED DISPOSITIVE POWER: -0-

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: -0-

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 0%

(14) TYPE OF REPORTING PERSON: HC; CO

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: Liggett Group Inc.

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: WC

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: 200

(8) SHARED VOTING POWER: -0-

(9) SOLE DISPOSITIVE POWER: 200

(10) SHARED DISPOSITIVE POWER: -0-

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: 200

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): Less than one-tenth of 1%

(14) TYPE OF REPORTING PERSON: CO

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: New Valley Corporation

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: WC

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: New York

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: -0-

(8) SHARED VOTING POWER: 5,161,750

(9) SOLE DISPOSITIVE POWER: -0-

(10) SHARED DISPOSITIVE POWER: 5,161,750

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: 5,161,750

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 1.9%

(14) TYPE OF REPORTING PERSON: HC; CO

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: ALKI Corp.

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: WC, OO

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: -0-

(8) SHARED VOTING POWER: 5,161,750

(9) SOLE DISPOSITIVE POWER: -0-

(10) SHARED DISPOSITIVE POWER: 5,161,750

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: 5,161,750

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 1.9%

(14) TYPE OF REPORTING PERSON: CO

SCHEDULE 13D

CUSIP NO.: 74960K 87 6

(1) NAME OF REPORTING PERSON: Bennett S. LeBow

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON:

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_|

(b) |X|

(3) SEC USE ONLY

(4) SOURCE OF FUNDS: N/A

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) |_|

(6) CITIZENSHIP OR PLACE OF ORGANIZATION: United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

(7) SOLE VOTING POWER: -0-

(8) SHARED VOTING POWER: -0-

(9) SOLE DISPOSITIVE POWER: -0-

(10) SHARED DISPOSITIVE POWER: -0-

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: -0-

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |X|

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 0%

(14) TYPE OF REPORTING PERSON: IN

ITEM 1. SECURITY AND ISSUER.

The class of equity securities to which this Schedule 13D relates is the common stock, par value $.01 per share (the "Common Stock"), of RJR Nabisco Holdings Corp., a Delaware corporation (the "Company" or "RJR Nabisco"), with its principal executive offices located at 1301 Avenue of the Americas, New York, New York 10019.

ITEM 2. IDENTITY AND BACKGROUND.

(a) This Schedule 13D is being filed by Brooke Group Ltd., a Delaware corporation ("Brooke"); BGLS Inc., a Delaware corporation and wholly-owned subsidiary of Brooke ("BGLS"); Liggett Group Inc., a Delaware corporation and wholly-owned subsidiary of BGLS ("Liggett"); New Valley Corporation, a New York corporation ("New Valley"); ALKI Corp., a Delaware corporation and wholly-owned subsidiary of New Valley ("ALKI"); and Bennett S. LeBow, the beneficial owner of 56.5% of the common stock of Brooke (individually, a "Reporting Person" and, collectively, the "Reporting Persons") who, together with the Icahn Entities (as defined in Item 5), collectively may be deemed a group beneficially owning more than 5% of the outstanding shares of the Common Stock within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Act"). The filing of this Schedule 13D shall not be construed as an admission that any Reporting Person is, for purposes of Section 13(d) or 13(g) of the Act, the beneficial owner of any securities covered by this Schedule 13D except for the securities stated herein to be beneficially owned by such Reporting Person or that Bennett S. LeBow is acting with the other Reporting Persons as a group within the meaning of Section 13(d)(3) of the Act.

(b)(c) Brooke is a publicly held corporation with shares of its common stock listed on the New York Stock Exchange under the symbol "BGL". Brooke is a holding company for a number of businesses. Brooke is principally engaged, through its indirect ownership of Liggett, in the manufacture and sale of cigarettes and, through its investment in New Valley, in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies. BGLS, a wholly-owned subsidiary of Brooke, is a holding company for a number of businesses. BGLS is principally engaged, through its ownership of Liggett, in the manufacture and sale of cigarettes and, through its investment in New Valley, in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies. Liggett is principally engaged in the manufacture and sale of cigarettes. BGLS directly and indirectly owns 618,326 Class A Senior Preferred Shares (approximately 60% of such class), 250,885 Class B Preferred Shares (approximately 9% of such class) and 79,794,229 Common Shares (approximately 42% of such class) of New Valley. New

Valley is principally engaged in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies. ALKI, a wholly owned subsidiary of New Valley, was organized for the purpose of holding New Valley's investment in the Company. Mr. LeBow is the Chairman of the Board, President and Chief Executive Officer of Brooke, BGLS and ALKI, a member of the Board of Directors of Liggett and Chairman of the Board and Chief Executive Officer of New Valley. Information regarding the directors and executive officers of Brooke, BGLS, Liggett, New Valley and ALKI is attached hereto as Annex 1, which annex is hereby incorporated by reference. The principal business and principal office address of Brooke, BGLS and New Valley and the business address of Mr. LeBow is 100 S.E. Second Street, Miami, Florida 33131. The principal business and principal office address of Liggett is 700 West Main Street, Durham, North Carolina 27701. The principal business and principal office address of ALKI is 204 Plaza Centre, 3505 Silverside Road, Wilmington, Delaware 19810.

(d)(e) During the last five years, none of the Reporting Persons, and to the best knowledge of each of the Reporting Persons, none of the persons listed on Annex 1 attached hereto, (1) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or (2) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

(f) Mr. LeBow is a citizen of the United States of America and, to the best knowledge of each of the Reporting Persons, each of the persons listed on Annex 1 attached hereto is a citizen of the United States of America.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The shares of Common Stock owned by the Reporting Persons were acquired at an aggregate cost (including commissions) of $158,236,850.50.

The 200 shares of Common Stock beneficially owned by Brooke were purchased with general working capital of Brooke on November 15, 1995, for an aggregate purchase price of $6,000 (including commissions). The 200 shares of Common Stock beneficially owned by Liggett were purchased with general working capital of Liggett on March 1, 1995, for an aggregate purchase price of $5,677.50 (including commissions and fees).

The 5,161,750 shares of Common Stock beneficially owned by ALKI were purchased for an aggregate purchase price of $158,225,173 (including commissions) between March 6, 1995 and February 26, 1996. Of such 5,161,750 shares, 300,000 shares were initially purchased by New Valley, ALKI's parent corporation, for an aggregate purchase price of $8,387,005 (including commissions), between March 6, 1995 and July 28, 1995. The 300,000 shares initially purchased by New Valley were purchased with the general working capital of New Valley. On or about September 22, 1995, such 300,000 shares of Common Stock were transferred from an account of New Valley to an account of ALKI. The remaining 4,861,750 shares of Common Stock were purchased with ALKI's working capital and the funds that ALKI borrowed pursuant to a margin account in the regular course of business of Bear Stearns & Co. A copy of the form of margin agreement with Bear Stearns & Co. is attached hereto as Exhibit 2 and incorporated herein by reference. As of the date hereof, approximately $83,143,846 is outstanding pursuant to such margin account.

None of the persons listed in Annex 1 attached hereto has contributed any funds or other consideration towards the acquisition of the Common Stock by any of the Reporting Persons.

ITEM 4. PURPOSE OF TRANSACTION.

One purpose of the Reporting Persons' acquisition of the Common Stock is to increase their ownership interest in the Company in order to benefit from an increase in value of the Common Stock that the Reporting Persons believe will result from an immediate spinoff of Nabisco Holdings Corp. ("Nabisco") to the stockholders of the Company. An additional purpose of the Reporting Persons' acquisition of the Common Stock was to accumulate a significant position in the shares of Common Stock in order to support Brooke's consent solicitation and Brooke's proxy solicitation.

On December 29, 1995, Brooke commenced a consent solicitation with respect to the following proposals:

(1) Adopt the following advisory resolution (the "Spinoff Resolution"):

"RESOLVED, that the stockholders of RJR Nabisco, believing that the full business potential and value of RJR Nabisco can best be realized and reflected in the market for the benefit of stockholders by the separation of the tobacco and food businesses, hereby request and recommend that the RJR Nabisco Board of Directors immediately spin off the remaining 80.5% of Nabisco Holdings Corp. held by RJR Nabisco to stockholders."

(2) Amend the By-Laws of RJR Nabisco (the "Bylaws") to (i) reinstate the provision providing that special meetings of the stockholders shall be called by the Chairman or Secretary of RJR Nabisco if requested in writing by holders of not less than 25% of the Common Stock and (ii) delete the provision establishing procedures governing action by written consent of stockholders without a meeting (collectively, the "Bylaw Amendment").

For additional information with respect to the consent solicitation, see Brooke's consent statement filed with the Securities and Exchange Commission ("SEC") on December 29, 1995 (the "Consent Statement"), attached hereto as Exhibit 3 and incorporated herein by reference. Based on a preliminary count, both of the above proposals were adopted. Final results have not yet been determined and may vary from any preliminary results.

Brooke has been engaged in discussions with various individuals and groups with a view to (a) providing additional support to Brooke's position that the spinoff of Nabisco is appropriate and prudent at the present time and (b) countering the Company's contention that under the current circumstances, including but not limited to the Company's expectation that such a spinoff will foster additional litigation, the spinoff of Nabisco should be delayed into the indefinite future.

Brooke is currently engaged in a proxy solicitation for the election of its ten nominees (the "Brooke Group Nominees") at the Company's 1996 annual meeting of stockholders to be held on April 17, 1996. If elected, the Brooke Group Nominees would constitute the Company's entire board of directors. For additional information with respect to the proxy solicitation, see Brooke's proxy statement filed with the SEC on March 4, 1996 (the "Proxy Statement"), attached hereto as Exhibit 4 and incorporated herein by reference.

The Proxy Statement provides that the Brooke Group Nominees currently intend to appoint Ronald Fulford, formerly executive chairman of Hanson PLC's Imperial Tobacco, as the President and Chief Executive Officer of the Company upon their election and assumption of office. See the Proxy Statement for additional information with respect to the appointment of Ronald Fulford.

The Proxy Statement provides that the Brooke Group Nominees will take steps necessary to effectuate an immediate spinoff of the remaining 80.5% of Nabisco held by RJR Nabisco to its stockholders immediately upon their election and assumption of office. See the Consent Statement and the Proxy Statement for additional information with respect to an immediate spinoff of Nabisco.

The Proxy Statement provides that the Brooke Group Nominees intend to adopt a new dividend policy for the post-

spinoff tobacco company (the "Tobacco Company") as an additional means to enhance value of the stockholders' shares of Common Stock. The Brooke Group Nominees anticipate a dividend policy providing that at least 60% of the Tobacco Company's net cash flow will be declared as cash dividends out of funds legally available therefor. Net cash flow means the Tobacco Company's after-tax net income plus amortization on an after-tax basis plus depreciation less capital expenditures. The Brooke Group Nominees expect to increase the Tobacco Company's 1996 annual dividend to approximately $2.00 per share of Common Stock. See the Proxy Statement for additional information with respect to the dividend increase.

The Reporting Persons and the Icahn Entities consult with each other from time to time concerning the Company, their shares of Common Stock and purchases of additional Common Stock and consider, among other things, actions that may enhance the likelihood that the Company may spin off Nabisco. Except as set forth herein and in the High River Agreement and the New Valley Agreement (each as defined in Item 6), the Reporting Persons and the Icahn Entities have no obligations to, or agreements or understanding with, each other concerning the Company or its securities.

Subject to applicable legal requirements and the factors referred to below, the Reporting Persons may, from time to time, purchase additional shares of Common Stock in open market or privately negotiated transactions. In determining whether to purchase additional shares, the Reporting Persons intend to consider and review various factors on a continuous basis, including the Company's financial condition, business and prospects, other developments concerning the Company, the reaction of the Company and of stockholders to the Reporting Persons' and/or the Icahn Entities' ownership of Common Stock, the adoption of the Spinoff Resolution and the Bylaw Amendment and Brooke's current proxy solicitation, the price and availability of shares of Common Stock, other investment and business opportunities available to the Reporting Persons, developments with respect to the Reporting Persons' business, and general economic, money and stock market conditions. In addition, depending upon, among other things, the matters referred to above, the Reporting Persons may determine at any time to dispose of all or a portion of their shares of Common Stock. Except as described in Item 6, each of the Reporting Persons reserves the right to change its plans and intentions at any time, as it deems appropriate, and, to the knowledge of each of the Reporting Persons, each of the persons listed on Annex 1 attached hereto may make the same evaluation and may have the same reservation.

Except as set forth in this Item 4, in the Consent Statement or in the Proxy Statement, none of the Reporting Persons or, to the knowledge of each of the Reporting Persons, any of the persons listed on Annex 1 hereto has any present plans

or intentions which would result in or relate to any of the transactions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

(a) The Reporting Persons, in the aggregate, beneficially own 5,162,150 shares of Common Stock, or approximately 1.9% shares of the Common Stock outstanding. All percentages of shares of Common Stock beneficially owned by Brooke, Liggett and ALKI are based on the 272,982,782 shares of Common Stock outstanding as of February 29, 1996, as disclosed in the Company's proxy statement dated March 6, 1996.

Brooke beneficially owns, directly, 200 shares of Common Stock, or less than one-tenth of 1% of the outstanding Common Stock. Brooke beneficially owns 100% of the outstanding capital stock of BGLS, which beneficially owns 100% of the outstanding capital stock of Liggett. Liggett beneficially owns, directly, 200 shares of Common Stock, or less than one-tenth of 1% of the outstanding Common Stock, and beneficially owns, directly, 1,000 shares of Class A Common Stock, par value $.01 per share, of Nabisco. In addition, BGLS directly and indirectly owns 618,326 Class A Senior Preferred Shares (approximately 60% of such class), 250,885 Class B Preferred Shares (approximately 9% of such class) and 79,794,229 Common Shares (approximately 42% of such class), of New Valley, which beneficially owns all of the outstanding capital stock of ALKI, which beneficially owns, directly, 5,161,750 shares of Common Stock, or approximately 1.9% of the outstanding Common Stock. Bennett S. LeBow, who is the Chairman of the Board, President and Chief Executive Officer of Brooke and of BGLS, may be deemed to be the beneficial owner of 10,451,208 shares of common stock of Brooke, or approximately 56.5% of Brooke's outstanding common stock, and thus may be deemed to control Brooke. The disclosure of this information shall not be construed as an admission that Mr. LeBow is the beneficial owner of any of the Common Stock owned by Brooke, ALKI and/or Liggett either for purposes of Section 13(d) of the Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

Likewise, Brooke beneficially owns 200 shares of Common Stock directly, and may be deemed to beneficially own, indirectly, the 5,161,750 shares of Common Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that Brooke is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

For the same reasons, BGLS may be deemed to beneficially own, indirectly, the 5,161,750 shares of Common

Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that BGLS is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

To the best knowledge of the Reporting Persons, the other persons who, together with the Reporting Persons, may be deemed to comprise a group within the meaning of Section 13(d)(3) of the Act are Carl C. Icahn, High River Limited Partnership, an entity owned by Mr. Icahn ("High River"), Riverdale Investors Corp., Inc., the general partner of High River and wholly-owned by Mr. Icahn, and Barberry Corp., a corporation wholly-owned by Mr. Icahn (collectively, the "Icahn Entities"). As of the close of business on March 11, 1996, the Icahn Entities have informed the Reporting Persons that they beneficially owned in the aggregate 10,765,800 shares of Common Stock, which constitute in the aggregate approximately 3.9% of the Common Stock outstanding. The Icahn Entities have filed a Schedule 13D in respect of the Common Stock of the Company, which is referred to in this Schedule 13D for its content (but not incorporated herein).

Richard J. Lampen, a person named in Annex 1 attached hereto, beneficially owns directly 2,000 shares of Common Stock, or less than one-tenth of 1% of the outstanding Common Stock. Douglas A. Cummins, a person named in Annex 1 attached hereto, beneficially owns directly 400 shares of Common Stock, or less than one-tenth of 1% of the outstanding Common Stock. David P. Sheets, a person named in Annex 1 attached hereto, beneficially owns 22,945 shares of Common Stock or less than one-tenth of 1% shares of the outstanding Common Stock. Of the 22,945 shares of Common Stock beneficially owned by Mr. Sheets: (i) Mr. Sheets has the right to acquire within sixty days, through exercise of options, beneficial ownership of 19,385 shares of Common Stock; (ii) Mr. Sheets has the power to direct the disposition of approximately 1,653.2 shares of Common Stock held for his benefit by the trustee of the Company's defined contribution plan and (iii) Mr. Sheets has the power to direct the vote of approximately 884.9 shares of Common Stock that are currently issuable on conversion of the Company's ESOP Convertible Preferred Stock, par value $.01 per share and stated value $16 per share ("ESOP Preferred Stock"), held by the trustee and allocated to Mr. Sheets under the Company's defined contribution plan.

Except as described in this subparagraph (a), neither any of the Reporting Persons nor, to the best knowledge of the Reporting Persons, any of the persons referred to in Annex 1 attached hereto, beneficially owns any shares of Common Stock.

(b) Brooke has sole power to vote or to direct the voting and to dispose or direct the disposition of the 200 shares of Common Stock which it owns. Liggett has sole power to vote or to direct the voting and to dispose or to direct the disposition of the 200 shares of Common Stock which it owns. New Valley has shared power to vote or direct the voting and to dispose or direct the disposition of the 5,161,750 shares of Common Stock, which are owned by ALKI. ALKI has shared power to vote or direct the voting and to dispose or direct the disposition of the 5,161,750 shares of Common Stock which it owns.

Richard J. Lampen, a person named in Annex 1 attached hereto, has sole power to vote or direct the voting and dispose or direct the disposition of the 2,000 shares of Common Stock beneficially owned by him. Douglas A. Cummins, a person named in Annex 1 attached hereto, has sole power to vote or direct the voting and dispose or direct the disposition of the 400 shares of Common Stock beneficially owned by him. David P. Sheets, a person named in Annex 1 attached hereto, (i) has sole power to vote or direct the voting and to dispose or to direct the disposition of the 1,022 shares of Common Stock that he owns directly, (ii) has the sole power to direct the disposition of, but no power to vote or direct the voting of, approximately 1,653.2 shares of Common Stock that are held for his benefit by the trustee of the Company's defined contribution plan and (iii) has the sole power to vote or direct the voting of, but no power to dispose or direct the disposition of, the approximately 884.9 shares of Common Stock issuable on conversion of the Company's ESOP Preferred Stock that he beneficially owns.

(c) Transactions in the Common Stock by any of the Reporting Persons, and to the best knowledge of the Reporting Persons, any of the persons referred to in Annex 1 attached hereto, effected during the past 60 days are described in Annex 2 hereto and are incorporated herein by reference. All such transactions were effected in the open market on the New York Stock Exchange. Except as described in this paragraph (c), neither the Reporting Persons nor, to the best knowledge of the Reporting Persons, any of the persons referred to in Annex 1 attached hereto, has effected any transactions in the Common Stock during the past 60 days.

(d) Each of the Reporting Persons has the sole right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Stock owned by each of them.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

On October 17, 1995, Brooke and BGLS entered into an agreement, as amended ("the High River Agreement") with High River. High River agreed in the High River Agreement to grant a written consent to the Spinoff Resolution and Bylaw Amendment with respect to all shares of Common Stock held by it, and to grant a proxy with respect to all such shares in the event that Brooke or BGLS seeks to replace the incumbent Board of Directors of RJR Nabisco at the 1996 annual meeting of stockholders with a slate of directors committed to effect the spinoff. Brooke and BGLS agreed in the High River Agreement to include, in any solicitation statement relating to any solicitation of (i) stockholder demands to call a special meeting, (ii) written consents or (iii) proxies, in respect of a proposal to elect an opposing slate of directors, a pledge to the effect that Brooke, BGLS and their affiliates (the "Brooke Group") (A) will not engage in certain mergers, material sales of stock or assets or other transactions (including a sale of Liggett or shares of Common Stock to RJR Nabisco) providing a material benefit to the Brooke Group not available to other stockholders of RJR Nabisco (each, a "Business Combination"), other than a Business Combination consummated simultaneously with or subsequent to a spinoff of RJR Nabisco's remaining equity interest in Nabisco or another transaction providing substantially equivalent value to stockholders ("Permitted Business Combination") (I) prior to the 1996 annual meeting of RJR Nabisco stockholders, or earlier if the Brooke Group is unsuccessful in (a) a solicitation of stockholder demands to call a special meeting, (b) a solicitation of consents or proxies to approve certain proposals or (c) having its nominees elected to constitute a majority of RJR Nabisco's directors, or (II) during such time as nominees of the Brooke Group constitute a majority of the directors of RJR Nabisco; (B) prior to the consummation of a spinoff of Nabisco, will not exercise management control over Nabisco or Nabisco, Inc. or become involved in the ordinary course of its business and will use its best efforts to ensure that a majority of the present directors of Nabisco and Nabisco, Inc. remain as directors; and (C) will halt any solicitation of stockholders demands, consents or proxies if the RJR Nabisco Board effects a spinoff of Nabisco or a substantially equivalent transaction. Similarly, High River agreed not to engage in or propose any Business Combination prior to the earliest of (x) the later of the 1997 annual meeting of stockholders of RJR Nabisco and the first anniversary of the termination of the High River Agreement (the "Reference Date"), (y) any termination of the High River Agreement that occurs at or after certain termination events relating to failures or an inability to effect the transactions contemplated by the High River Agreement ("Termination Events") and (z) any termination of the High River Agreement by Brooke or BGLS, or the New Valley Agreement (as defined below) by New Valley or ALKI, at a time when High River is not in material breach of its obligations.

The High River Agreement will automatically terminate on October 17, 1996 or upon the earlier termination of the New Valley Agreement (as defined below) by High River. In addition, any party to the High River Agreement may terminate it at any time, although the terminating party will be required to pay a fee of $50 million to the nonterminating party if no Termination Event has occurred and the nonterminating party is not in material breach of its obligations. The High River Agreement also provides that any party may terminate the High River Agreement and be entitled to receive a fee of $50 million from the nonterminating party if the nonterminating party is in material breach of its obligations and no Termination Event has occurred. The High River Agreement further provides that BGLS will be required to pay a $50 million fee to High River upon the consummation of a Business Combination (including a Permitted Business Combination) between the Brooke Group and RJR Nabisco if (x) such Business Combination is consummated prior to the Reference Date, (y) a legally binding agreement to enter into a Business Combination is entered into prior to the Reference Date and such Business Combination is consummated prior to the second anniversary of the date of such agreement or (z) nominees of Brooke are elected to constitute a majority of the directors of RJR Nabisco prior to the Reference Date and a Business Combination is consummated prior to the fifth anniversary of the date of such election. Finally, the High River Agreement provides that High River will be entitled to a payment equal to 20% of the net profit with respect to Common Stock held or sold by New Valley, ALKI or the Brooke Group, after deduction of certain expenses, including the costs of this solicitation and certain proxy solicitations by the Brooke Group and the costs of acquiring the shares of the Common Stock (all of which expenses will be borne by New Valley, ALKI or the Brooke Group). Notwithstanding any such termination, the obligations of the Brooke Group and of High River not to engage in a Business Combination with RJR Nabisco or the other activities described above will continue for the periods described above.

The foregoing summary of the High River Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 5 and is incorporated herein by reference.

Also on October 17, 1995, New Valley and ALKI, a subsidiary of New Valley, entered into a separate agreement with High River, as amended (the "New Valley Agreement"). Pursuant to the New Valley Agreement, New Valley sold 1,611,550 shares of Common Stock to High River for an aggregate purchase price of $51,000,755, thereby approximately equalizing the number of shares of Common Stock and total investment therein by the parties. In addition, the parties agreed that each of New Valley and ALKI, on the one hand, and High River and its affiliates, on the other hand, would invest up to approximately $150 million in shares of Common Stock, and may invest up to approximately $250

million in shares of Common Stock in order to maximize profits. The obligations of the parties to make any investments is subject to their ability to obtain and maintain margin loans (using the shares of Common Stock purchased by them as collateral) to fund the purchases, and to certain provisions of the New Valley Agreement which do not require any party to purchase shares of Common Stock to the extent the purchase price would exceed certain hurdles ($35.50 per share in respect of the first $150 million in investments by each party, and $31.00 per share in respect of the next $100 million in investments). New Valley and ALKI also agreed in the New Valley Agreement to grant a stockholder demand, written consent or proxy with respect to all shares of Common Stock held by them in the event that Brooke or BGLS seeks to call a special meeting of stockholders, obtain the approval of any of the Proposals or replace the incumbent Board of Directors of RJR Nabisco at the 1996 annual meeting of stockholders. The New Valley Agreement automatically terminates at the same time, and is subject to earlier termination by the parties under the same circumstances as the High River Agreement. The parties to the New Valley Agreement are required to pay fees in the same amounts and generally under the same circumstances as described above under the High River Agreement, although the fees payable to a party under the High River Agreement generally will be offset by fees paid to such party under the New Valley Agreement, and fees payable to a party under the New Valley Agreement generally will be offset by fees paid to such party under the High River Agreement.

The foregoing summary of the New Valley Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 6 and is incorporated herein by reference.

New Valley, Brooke and Liggett have engaged Jefferies & Company, Inc. ("Jefferies") to act as financial advisor in connection with New Valley's investment in the Company and the consent solicitation and proxy solicitation by Brooke (as amended, the "Jefferies Agreement"). In connection with this engagement, New Valley (i) paid to Jefferies an initial fee of $1,500,000 and (ii) has agreed to pay Jefferies during the period commencing January 1, 1996 and ending April 30, 1996 a monthly fee of $250,000, which monthly fee increased to $500,000 on February 20, 1996 and, in addition, during each of the four months ending April 30, 1996, an additional monthly fee of $100,000. These companies also have agreed to pay Jefferies 10% of the net profit (up to a maximum of $15,000,000) with respect to Common Stock (including any distributions made by the Company) held or sold by these companies and their affiliates after deduction of certain expenses, including the costs of the consent solicitation and certain proxy solicitations by the Brooke Group and the costs of acquiring the shares of Common Stock (all of which expenses will be borne by New Valley, ALKI or the Brooke Group). These companies also agreed that upon (i) the

appointment during the term of the Jefferies Agreement as Chairman, President or Chief Executive Officer of RJR Nabisco of either Mr. LeBow or any other designee or representative of Brooke Group, Liggett, New Valley or any of their respective affiliates, or (ii) the election or appointment during the term of the Jefferies Agreement of representatives or designees of Brooke Group, Liggett, New Valley or any of their respective affiliates to represent 50% or more of the membership of RJR Nabisco's Board of Directors then in office, they will pay or cause to be paid to Jefferies a non-refundable cash fee of $7,500,000 payable only if and at the time the Company either reimburses the companies for or pays directly this fee, unless prohibited by applicable law. In addition, New Valley agreed to reimburse Jefferies for all reasonable out-of-pocket expenses, including the fees and expenses of its counsel, incurred by Jefferies in connection with its engagement and New Valley and Brooke agreed to indemnify Jefferies and certain related persons against certain liabilities and expenses.

The foregoing summary of the Jefferies Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 7, and is incorporated herein by reference.

New Valley has entered into an agreement ("New Valley/Brooke Agreement") with Brooke pursuant to which it has agreed to pay directly or reimburse Brooke and its subsidiaries for reasonable out-of-pocket expenses incurred in connection with the consent solicitation and the proxy solicitation. New Valley has also agreed to pay to BGLS a fee of 20% of the net profit received by New Valley or its subsidiaries from the sale of shares of Common Stock after achieving a rate of return of 20% and after deduction of certain expenses, including the costs of the consent solicitation and the proxy solicitation, and of acquiring the shares of Common Stock. New Valley has also agreed to indemnify Brooke against certain liabilities arising out of the solicitations.

The foregoing summary of the New Valley/Brooke Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 8 and is incorporated herein by reference.

Brooke has entered into a services agreement (the "Hanson Agreement") with Dale M. Hanson. Pursuant to the Hanson Agreement, Mr. Hanson agreed (a) to be a Brooke Group Nominee, and (b) to advise and consult with Brooke and its affiliates on various matters, including but not limited to (i) matters generally relating to issues of corporate governance and shareholder democracy in publicly traded corporations, (ii) matters relating to or arising out of the solicitation by Brooke of consents from the stockholders of RJR Nabisco for the Spinoff Resolution, (iii) matters relating to or arising out of

Brooke's proxy solicitation, and (iv) such other matters as Brooke and Mr. Hanson shall agree on from time to time. Brooke, in turn, agreed to pay Mr. Hanson a one time fee of $150,000. Brooke also granted to Mr. Hanson a stock appreciation right (the "SAR") with respect to 50,000 shares ("SAR Shares") of Common Stock, exercisable in whole or in part at any time and from time to time from and after June 30, 1996. The SAR expires at the close of business on the tenth business day after the end of the term of the agreement. The Hanson Agreement will terminate on May 31, 1997 unless earlier terminated by the parties. Upon exercise, Brooke shall pay to Mr. Hanson an amount, if any, equal to the excess of the fair market value of a share of Common Stock on the date of exercise over $31.50 per share, multiplied by the number of shares of Common Stock with respect to which the SAR shall have been exercised. For purposes of the Hanson Agreement, "fair market value", as of any date, shall mean the average of the daily closing prices of the Common Stock for the ten consecutive trading days on or prior to such date, as reported on the consolidated transaction reporting system for the New York Stock Exchange for such dates. In the event of any change in capitalization affecting the Common Stock, including, without limitation, a stock dividend or other distribution, split, reverse certificate split, recapitalization, merger, consolidation, subdivision, split-up, spin-off, combination or exchange of Common Stock or other form of reorganization, or any other change affecting the Common Stock, Brooke will automatically make such mathematically proportionate adjustments in the number of SAR Shares covered by the SAR and the exercise price in respect thereof, as are reasonably appropriate under the circumstances. Brooke also agreed to reimburse Mr. Hanson for all ordinary, necessary and reasonable business expenses incurred in connection with the services under the Hanson Agreement.

The foregoing summary of the Hanson Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 9 and is incorporated herein by reference.

On February 29, 1996, New Valley entered into a total return equity swap transaction (the "Equity Swap Agreement") with Internationale Nederlanden (U.S.) Capital Markets, Inc. (the "Counterparty") relating to 1,000,000 shares of Common Stock. The transaction is for a period of up to six months, subject to earlier termination at the election of New Valley, and provides for New Valley to make a payment to the Counterparty of approximately $1.52 million upon commencement of the swap. At the termination of the transaction, if the price of the Common Stock during a specified period prior to such date (the "Final Price") exceeds the price of the Common Stock during a specified period following the commencement of the swap (the "Initial Price"), the Counterparty will pay New Valley an amount in cash equal to the amount of such appreciation with respect to 1,000,000 shares of Common Stock plus the value of any dividends

with a record date occurring during the swap period. If the Final Price is less than the Initial Price, then New Valley will pay the Counterparty at the termination of the transaction an amount in cash equal to the amount of such decline with respect to 1,000,000 shares of Common Stock, offset by the value of any dividends, provided that, with respect to approximately 400,000 shares of Common Stock, New Valley will not be required to pay any amount in excess of an approximate 25% decline in the value of the shares. If the Initial Price differs from $34.25 per share, New Valley or the Counterparty, as the case may be, will make an adjustment payment to the other on March 14, 1996 in respect of that difference. The potential obligations of the Counterparty under the swap are being guaranteed by ING Bank N.V., and New Valley has pledged certain collateral in respect of its potential obligations under the swap and has agreed to pledge additional collateral under certain conditions.

The foregoing summary of the Equity Swap Agreement is qualified in its entirety by reference to the text of such agreement, which is attached hereto as Exhibit 10 and is incorporated herein by reference.

Pursuant to a Non-Qualified Stock Option Agreement between Mr. Sheets and the Company, Mr. Sheets has an immediately exercisable stock option, expiring May 1, 1999, to purchase 12,000 shares of Common Stock at an exercise price of $25.00 per share. Pursuant to a 1990 Long Term Incentive Plan Stock Option Agreement (Grant 1991) between Mr. Sheets and the Company, Mr. Sheets has an immediately exercisable stock option, expiring April 15, 2006, to purchase 1,980 shares of Common Stock at an exercise price of $37.50 per share. Pursuant to a 1990 Long Term Incentive Plan Stock Option Agreement (Grant 1992) between Mr. Sheets and the Company, Mr. Sheets has an immediately exercisable stock option, expiring January 1, 2007, to purchase 1,110 shares of Common Stock at an exercise price of $50.00 per share. Pursuant to a Performance Share Agreement (Grant 1993) between Mr. Sheets and the Company, Mr. Sheets has an immediately exercisable stock option, expiring July 1, 2008, to purchase 4,295 shares of Common Stock at an exercise price of $27.85 per share.

The forms of the foregoing agreements between Mr. Sheets and the Company are attached hereto as Exhibits 11(a), (b), (c) and (d), and are incorporated herein by reference.

Except as described herein, neither any of the Reporting Persons nor any other person referred to in Annex 1 attached hereto, has any contracts, arrangements, understandings or relationships (legal or otherwise) with any person with respect to any securities of the Company, including but not limited to transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees or profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

1. Joint Filing Agreement.

2. Form of Margin Agreement between ALKI Corp. and Bear Stearns & Co.

3. Brooke Group Ltd.'s Consent Statement, filed December 29, 1995 with the Securities and Exchange Commission.

4. Brooke Group Ltd.'s Proxy Statement, filed March 4, 1996 with the Securities and Exchange Commission.

5. Agreement, dated October 17, 1995, between Brooke Group Ltd., BGLS Inc. and High River Limited Partnership, as amended by the letter agreement dated November 5, 1995.

6. Agreement, dated October 17, 1995, between New Valley Corporation, ALKI Corp. and High River Limited Partnership, as amended by the letter agreement dated October 17, 1995 and as amended by the letter agreement dated November 5, 1995.

7. Agreement, dated December 28, 1995, between Jefferies & Company, Inc., Brooke Group Ltd., New Valley Corporation and Liggett Group Inc, as amended by the letter agreement dated February 28, 1996.

8. Agreement, dated December 27, 1995, between Brooke Group Ltd. and New Valley Corporation.

9. Agreement, dated February 20, 1996, between Brooke Group Ltd. and Dale Hanson.

10. International Swap Dealers Association Master Agreement (and the schedules and annexes thereto) and Confirmation, dated February 28, 1996, between New Valley Corporation and Internationale Nederlanden (U.S.) Capital Markets, Inc.

11(a). Form of Non-Qualified Stock Option Agreement between RJR Nabisco Holdings Corp. and the optionee named therein (incorporated by reference to Exhibit B to Post-Effective Amendment No. 2 to the Company's Form S-1, Registration No. 33-29401).

11(b). Form of Non-Qualified Stock Option Agreement between RJR Nabisco Holdings Corp. and the executive or management optionee named therein (1991 Grant) (incorporated by reference to Exhibit 4.4(b) to the Company's Form S-8, Registration No. 33-39791).

11(c). Form of Non-Qualified Stock Option Agreement between RJR Nabisco Holdings Corp. and the executive or management optionee named therein (1992 Grant) (incorporated by reference to Exhibit 10.37 of the Company's 1991 Form 10-K).

11(d) Form of Performance Share Agreement between RJR Nabisco Holdings Corp. and the grantee named therein (1993 Grant) (incorporated by reference to Exhibit 10.41 of the Company's 1992 Form 10-K).

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

BROOKE GROUP LTD.

By:/s/ Bennett S. LeBow

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

BGLS INC.

By:/s/ Bennett S. LeBow

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

LIGGETT GROUP INC.

By:/s/ David P. Sheets

David P. Sheets
Executive Vice President
and Chief Financial Officer

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

NEW VALLEY CORPORATION

By:/s/ Richard J. Lampen

Richard J. Lampen
Executive Vice President

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

ALKI CORP.

By:/s/ Bennett S. LeBow

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

March 11, 1996

By: /s/ BENNETT S. LEBOW

ANNEX I

DIRECTORS AND EXECUTIVE OFFICERS OF THE REPORTING PERSONS

The names, present principal occupations and business addresses of the directors and executive officers of each of the Reporting Persons are set forth below. If no address is given, the director's or executive officer's business address is that of the Reporting Person. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to the Reporting Person. Each of the named individuals is a citizen of the United States of America.

BROOKE GROUP LTD.

Name:	Position:
Bennett S. LeBow	Chairman of the Board, President and Chief Executive Officer
Gerald E. Sauter	Vice President, Chief Financial Officer and Treasurer
Robert J. Eide Treasurer and Secretary Aegis Capital Corp. 70 E. Sunrise Hwy Valley Stream, NY 11581	Director
Jeffrey S. Podell Chairman of the Board and President Newsote, Inc. 26 Jefferson St. Passaic, NJ 07055	Director

BGLS INC.

Name:	Position:
Bennett S. LeBow	Chairman of the Board, President and Chief Executive Officer
Gerald E. Sauter	Vice President, Chief Financial Officer and Treasurer
Robert J. Eide Treasurer and Secretary Aegis Capital Corp. 70 E. Sunrise Hwy Valley Stream, NY 11581	Director

Jeffrey S. Podell Chairman of the Board and President Newsote, Inc. 26 Jefferson St. Passaic, NJ 07055	Director

LIGGETT GROUP INC.

Name and Business Address:	Position:
Bennett S. LeBow Brooke Group Ltd. 100 S.E. Second Street 32nd Floor Miami, FL 33131	Director
Douglas A. Cummins	President, Chief Executive Officer and Director
Rouben V. Chakalian	Chairman of the Board of Directors and Director
David P. Sheets	Executive Vice President and Chief Financial Officer
Josiah S. Murray, III	Senior Vice President and General Counsel

NEW VALLEY CORPORATION

Name and Business Address:	Position:
Bennett S. LeBow	Chairman of the Board and Chief Executive Officer
Henry C. Beinstein Managing Director Milbank, Tweed, Hadley & McCloy 1 Chase Manhattan Plaza New York, NY 10005-1413	Director
Arnold I. Burns Attorney Proskauer Rose Goetz & Mendelsohn 1585 Broadway - 23rd Fl. New York, NY 10036	Director
Ronald J. Kramer Chairman and CEO Ladenburg, Thalmann Group, Inc. 540 Madison Avenue New York, NY 10022	Director

Richard J. Lampen	Executive Vice President and General Counsel
Howard M. Lorber	President, Chief Operating Officer and Director
Paul McDermott Managing Director Nomura Securities International, Inc. 2 World Financial Center Building B New York, NY 10281-1198	Director
Richard Ressler President Orchard Capital 11100 Santa Monica Blvd. Suite 3050E Los Angeles, CA 90025	Director
Barry W. Ridings Managing Director Alex. Brown & Sons 1290 Avenue of the Americas 10th Floor New York, NY 10104	Director
Gerald E. Sauter	Treasurer, Vice President, Chief Financial Officer and Director

ALKI CORP.

Name and Business Address:	Position:
Bennett S. LeBow Brooke Group Ltd. 100 S.E. Second Street 32nd Floor Miami, FL 33131	Director; Chairman of the Board, President and Chief Executive Officer
Howard M. Lorber New Valley Corporation 100 S.E. Second Street 32nd Floor Miami, FL 33131	Director
Gerald E. Sauter Brooke Group Ltd. 100 S.E. Second Street 32nd Street Miami, FL 33131	Director; Vice President, Chief Financial Officer and Treasurer

ANNEX 2

Schedule of Transactions in the Shares

Name	Date	No. of Shares Purchased	No. of Shares Sold	Price Per Share(1)
New Valley Corporation	2/22/96	101,700		34.250
		15,000		34.125
	2/23/96	100,000		34.125
	2/26/96	10,000		34.250
		12,500		34.375
		30,000		34.125
David P. Sheets	3/05/96		1,000	35.000

(1) Excludes brokerage commissions.

EXHIBIT INDEX

Exhibit No.	Title:
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11(b).	Form of Non-Qualified Stock Option Agreement between RJR Nabisco Holdings Corp. and the executive or management optionee named therein (1991 Grant) (incorporated by reference to Exhibit 4.4(b) to the Company's Form S-8, Registration No. 33-39791).
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11(d).	Form of Performance Share Agreement between RJR Nabisco Holdings Corp. and the grantee named therein (1993 Grant) (incorporated by reference to Exhibit 10.41 of the Company's 1992 Form 10-K).

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(f) promulgated under the Securities Exchange Act of 1934, the undersigned agree to the joint filing of a Statement on Schedule 13D (including any and all amendments thereto) with respect to the shares of common stock, par value $.01 per share, of RJR Nabisco Holdings Corp., and further agree that this Joint Filing Agreement be included as an Exhibit thereto. In addition, each party to this Agreement expressly authorizes each other party to this Agreement to file on its behalf any and all amendments to such statement.

Date: March 11, 1996

Brooke Group Ltd.

By:/s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

BGLS Inc.

By:/s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

Liggett Group Inc.

By:/s/ DAVID P. SHEETS

David P. Sheets
Chief Financial Officer

New Valley Corporation

By:/s/ RICHARD J. LAMPEN

Richard J. Lampen
Executive Vice President

ALKI Corp.

By:/s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board, President
and Chief Executive Officer

/s/ BENNETT S. LEBOW

Bennett S. LeBow

BEAR STEARNS

BEAR, STEARNS SECURITIES CORP.
ONE METROTECH CENTER NORTH
BROOKLYN, NY 11201-3859
(212) 272-1000

CUSTOMER AGREEMENT

PLEASE READ CAREFULLY, SIGN AND RETURN

This agreement ("Agreement") sets forth terms and conditions under which Bear, Stearns Securities Corp., Bear, Stearns & Co. Inc. and their successors and assigns (collectively "Bear Stearns") will transact business with you including but not limited to the maintenance of your account(s). If these accounts are cash accounts and you have fully paid for all securities therein, the provisions of paragraph 16 and 17 shall not bind you unless you enter into a margin transaction.

1. APPLICABLE LAW AND REGULATIONS. All transactions shall be subject to all applicable law and the rules and regulations of all federal state and self-regulatory agencies, including, but not limited to, the Board of Governors of the Federal Reserve System and the constitution, rules and customs of the exchange or market (and clearing house) where executed.

2. SECURITY INTEREST AND LIEN. As security for the payment of all of your obligations and liabilities to Bear Stearns, Bear Stearns shall have a continuing security interest in all property in which you have an interest held by or through Bear Stearns or its affiliates, including, but not limited to, securities, commodity futures contracts, commercial paper, monies and any after-acquired property. In addition, in order to satisfy any such outstanding liabilities or obligations, Bear Stearns may, at any time and without prior notice to you, use, apply or transfer any such securities or property interchangeably. In the event of a breach or default under this Agreement, Bear Stearns shall have all rights and remedies available to a secured creditor under any applicable law in addition to the rights and remedies provided herein.

3. DEPOSITS ON TRANSACTIONS. Whenever Bear Stearns, in its sole discretion, considers it necessary for its protection, it may require you to deposit cash or collateral immediately in your account(s) prior to any applicable settlement date in order to assure due performance of your open contractual commitments.

4. BREACH, BANKRUPTCY OR DEFAULT. Any breach of this Agreement or the filing of a petition or other proceeding in

bankruptcy, insolvency, or for the appointment of a receiver by or against you, the levy of an attachment against your account(s) with Bear Stearns, or your death, mental incompetence or dissolution, or any other grounds for insecurity, as determined by Bear Stearns in its sole discretion, shall constitute, at Bear Stearns' election, a default by you under all agreements Bear Stearns may then have with you, whether heretofore or hereafter entered into. In the event of default, Bear Stearns reserves the right to sell, without prior notice to you, any and all property in which you have an interest, held by or through Bear Stearns or any of its affiliates, to buy any or all property which may have been sold short, to cancel any or all outstanding transactions and/or to purchase or sell any other securities or property to offset market risk, and to offset any indebtedness you may have (either individually or jointly with others), after which you shall be liable to Bear Stearns for any remaining deficiency, loss, costs or expenses sustained by Bear Stearns in connection therewith. Such purchases and/or sales may be effected publicly or privately without notice or advertisement in such manner as Bear Stearns may in its sole discretion determine. At any such sale or purchase, Bear Stearns may purchase or sell the property free of any right of redemption. In addition, Bear Stearns shall have the right to set off and apply any amount owing from Bear Stearns or any of its affiliates to you against any indebtedness in your accounts, whether matured or unmatured.

5. FEES AND CHARGES. You understand that Bear Stearns may charge commissions and other fees for execution, custody or any other service furnished to you, and you agree to pay such commissions and fees at Bear Stearns' then prevailing rates. You understand further that such commissions and fees may be changed from time to time, upon thirty days' prior written notice to you, and you agree to be bound thereby.

6. TRANSACTION REPORTS AND ACCOUNT STATEMENTS. Reports of the execution of orders and statements of your account(s) shall be conclusive if not objected to in writing within five days in the case of reports of execution, and ten days in the case of account statements, after such documents have been transmitted to you by mail or otherwise.

7. DEBIT BALANCES/TRUTH-IN-LENDING. You hereby acknowledge receipt of Bear Stearns' Truth-in-Lending disclosure statement. You understand that interest will be charged on any debit balances in your account(s), in accordance with the methods described in such statement or in any amendment or revision thereto which may be provided to you. Any debit balance which is

not paid at the close of an interest period will be added to the opening balance for the next interest period.

8. CLEARANCE ACCOUNTS. Bear, Stearns Securities Corp. carries your account(s) as clearing agent for your broker. Unless Bear, Stearns Securities Corp. receives from you prior written notice to the contrary, Bear, Stearns Securities Corp. may accept from such other broker, without any inquiry or investigation: (a) orders for the purchase or sale of securities and other property in you account(s) on margin or otherwise and (b) any other instructions concerning your account(s) or the property therein. You understand and agree that Bear Stearns shall have no responsibility or liability to you for any acts or omissions of such broker, its officers, employees or agents. You agree that your broker and its employees are third-party beneficiaries of this Agreement, and that the terms and conditions hereof, including the arbitration provision, shall be applicable to all matters between or among any of you, your broker and its employees, and Bear Stearns and its employees.

9. COSTS OF COLLECTION. You hereby authorize Bear Stearns to charge you for any reasonable direct or indirect costs of collection, including, but not limited to, attorneys' fees, court costs and other expenses.

10. IMPARTIAL LOTTERY ALLOCATION. You agree that, in the event Bear Stearns holds on your behalf bonds or preferred stocks in street name or bearer form which are callable in part, you will participate in the impartial lottery allocation system of the called securities in accordance with the rules of the New York Stock Exchange, Inc. or any other appropriate self-regulatory organization. When any such call is favorable, no allocation will be made to any account(s) in which Bear Stearns has actual knowledge that its officers, directors or employees have any financial interest until all other customers are satisfied on an impartial lottery basis.

11. WAIVER, ASSIGNMENT AND NOTICES. Neither Bear Stearns' failure to insist at any time upon strict compliance with this Agreement or with any of the terms hereof nor any continued course of such conduct on its part shall constitute or be considered a waiver by Bear Stearns of any of its rights or privileges hereunder. Any assignment of your rights and obligations hereunder or interest in any property held by or through Bear Stearns without obtaining the prior written consent of an authorized representative of Bear Stearns shall be null and

void. Notices or other communications, including margin calls, delivered or mailed to the address provided by you, shall, until Bear Stearns has received notice in writing of a different address, be deemed to have been personally delivered to you.

12. FREE CREDIT BALANCES. You hereby direct Bear Stearns to use any free credit balance awaiting investment or reinvestment in your account(s) in accordance with all applicable rules and regulations and to pay interest thereon at such rate or rates and under such conditions as are established from time to time by Bear Stearns for such account(s) and for the amounts of cash so used.

13. RESTRICTIONS ON ACCOUNT. You understand that Bear Stearns, in its sole discretion, may restrict or prohibit trading of securities or other property in your account(s).

14. CREDIT INFORMATION AND INVESTIGATION. You authorize Bear Stearns and your broker, in their discretion, to make and obtain reports concerning your credit standing and business conduct. You may make a written request within a reasonable period of time for a description of the nature and scope of the reports made or obtained by Bear Stearns.

15. SHORT AND LONG SALES. In placing any sell order for a short account, you will designate the order as such and hereby authorize Bear Stearns to mark the order as being "short." In placing any sell order for a long account, you will designate the order as such and hereby authorize Bear Stearns to mark the order as being "long." The designation of a sell order as being for a long account shall constitute a representation that you own the security with respect to which the order has been placed, that such security may be sold without restriction in the open market and that, if Bear Stearns does not have the security in its possession at the time you place the order, you shall deliver the security by settlement date in good deliverable form or pay to Bear Stearns any losses or expenses incurred as a result of your failure to make delivery.

16. MARGIN ACCOUNTS. You hereby agree to deposit and maintain such margin in your margin account(s) as Bear Stearns may in its sole discretion require, and you agree to pay forthwith on demand any debit balance owing with respect to any of your margin account(s). Upon your failure to pay, or at any time Bear Stearns, in its discretion, deems necessary for its

protection, whether with or without prior demand, call or notice, Bear Stearns shall be entitled to exercise all rights and remedies provided in paragraphs 2 and 4 above. No demands, calls, tenders or notices that Bear Stearns may have made or given in the past in any one or more instances shall invalidate your waiver of the requirement to make or give the same in the future. Unless you advise Bear Stearns to the contrary, you represent that you are not an affiliate (as defined in Rule 144(a)(1) under the Securities Act of 1933) of the issuer of any security held in your account(s).

17. CONSENT TO LOAN OR PLEDGE OF SECURITIES. Within the limits of applicable law and regulations, you hereby authorize Bear Stearns to lend either to itself or to others any securities held by Bear Stearns in your account(s), together with all attendant rights of ownership, and to use all such property as collateral for its general loans. Any such property, together with all attendant rights of ownership, may be pledged, repledged, hypothecated or rehypothecated either separately or in common with other such property for any amounts due to Bear Stearns thereon or for a greater sum, and Bear Stearns shall have no obligation to retain a like amount of similar property in its possession and control.

18. LEGALLY BINDING. You hereby agree that this Agreement and all the terms hereof shall be binding upon you and your estate, heirs, executors, administrators, personal representatives, successors and assigns. You agree that all purchases and sales shall be for your account(s) in accordance with your oral or written instructions. You hereby waive any and all defenses that any such instruction was not in writing as may be required by the Statute of Frauds or any other similar law, rule or regulation.

19. AMENDMENT: ENTIRE AGREEMENT. You agree that Bear Stearns may modify the terms of this Agreement at any time upon prior written notice. By continuing to accept services from Bear Stearns, you will have indicated your acceptance of any such modifications. If you do not accept such modifications, you must notify Bear Stearns in writing; your account may then be terminated by Bear Stearns, after which you will remain liable to Bear Stearns for all remaining liabilities or obligations. Otherwise, this Agreement may not be waived or modified absent a written instrument signed by an authorized representative of Bear Stearns. Except as set forth above, this Agreement represents the entire agreement and understanding between you and Bear Stearns concerning the subject matter hereof.

20. NEW YORK LAW TO GOVERN. THIS AGREEMENT SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF NEW YORK AND SHALL BE CONSTRUED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES DETERMINED, IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

21. ARBITRATION.

o ARBITRATION IS FINAL AND BINDING ON THE PARTIES.

o THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO JURY TRIAL.

o PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDINGS.

o THE ARBITRATORS' AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF RULINGS BY THE ARBITRATORS IS STRICTLY LIMITED.

o THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.

o NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL:

(i) THE CLASS CERTIFICATION IS DENIED;
(ii) THE CLASS IS DECERTIFIED; OR
(iii) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.

YOU AGREE, AND BY MAINTAINING AN ACCOUNT FOR YOU BEAR STEARNS AGREES, THAT CONTROVERSIES ARISING BETWEEN YOU AND BEAR STEARNS, ITS CONTROL PERSONS, PREDECESSORS, SUBSIDIARIES AND AFFILIATES AND ALL RESPECTIVE SUCCESSORS, ASSIGNS AND EMPLOYEES, WHETHER ARISING PRIOR TO, ON OR SUBSEQUENT TO THE DATE HEREOF, SHALL BE DETERMINED BY ARBITRATION, ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE HELD AT THE FACILITIES AND BEFORE AN ARBITRATION PANEL APPOINTED BY THE NEW YORK STOCK EXCHANGE, INC., THE AMERICAN STOCK EXCHANGE, INC., OR THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. (AND ONLY BEFORE SUCH EXCHANGES OR

ASSOCIATION). YOU MAY ELECT ONE OF THE FOREGOING FORUMS FOR ARBITRATION, BUT IF YOU FAIL TO MAKE SUCH ELECTION BY REGISTERED MAIL OR TELEGRAM ADDRESSED TO BEAR, STEARNS SECURITIES CORP. 245 PARK AVENUE, NEW YORK, NEW YORK 10167, ATTENTION: CHIEF LEGAL OFFICER (OR ANY OTHER ADDRESS OF WHICH YOU ARE ADVISED IN WRITING), BEFORE THE EXPIRATION OF TEN DAYS AFTER RECEIPT OF A WRITTEN REQUIRED FROM BEAR STEARNS TO MAKE SUCH ELECTION, THEN BEAR STEARNS MAY MAKE SUCH ELECTION. FOR ANY ARBITRATION SOLELY BETWEEN YOU AND A BROKER FOR WHICH BEAR STEARNS ACTS AS CLEARING AGENT, SUCH ELECTION SHALL BE MADE BY REGISTERED MAIL TO SUCH BROKER AT ITS PRINCIPAL PLACE OF BUSINESS. THE AWARD OF THE ARBITRATORS, OR OF THE MAJORITY OF THEM, SHALL BE FINAL, AND JUDGMENT UPON THE AWARD RENDERED MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION.

22. SEVERABILITY. If any provision herein is or should become inconsistent with any present or future law, rule or regulation of any sovereign government or regulatory body having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be rescinded or modified in accordance with any such law, rule or regulation. In all other respects, this Agreement shall continue to remain in full force and effect.

23. CAPACITY TO CONTRACT; CUSTOMER AFFILIATION. You represent that you are of legal age and that, unless you have notified Bear Stearns to the contrary, neither you nor any member of your immediate family is an employee of any exchange or member thereof, the National Association of Securities Dealers, Inc. or a member thereof, or of any corporation, firm or individual engaged in the business of dealing, as broker or principal, in securities, options or future, or of any bank, trust company or insurance company.

24. EXTRAORDINARY EVENTS. Bear Stearns shall not be liable for losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes or other conditions beyond its control.

25. HEADINGS. The headings of the provisions hereof are for descriptive purposes only and shall not modify or qualify any of the rights or obligations set forth in such provisions.

26. TELEPHONE CONVERSATIONS. For the protection of both you and Bear Stearns, and as a tool to correct

misunderstandings, you hereby authorize Bear Stearns at Bear Stearns' discretion and without prior notice to you, to monitor and/or record any or all telephone conversations between you, Bear Stearns and any of Bear Stearns' employees or agents.

If this is a Joint Account, both parties must sign. Persons signing on behalf of others should indicate the titles or capacities in which they are signing.

BY SIGNING THIS AGREEMENT YOU ACKNOWLEDGE THAT:

1. THE SECURITIES IN YOUR MARGIN ACCOUNT(S) AND ANY SECURITIES FOR WHICH YOU HAVE NOT FULLY PAID, TOGETHER WITH ALL ATTENDANT OWNERSHIP RIGHTS, MAY BE LOANED TO BEAR STEARNS OR LOANED OUT TO OTHERS; AND

2. YOU HAVE RECEIVED A COPY OF THIS AGREEMENT.

THIS AGREEMENT CONTAINS A PRE-DISPUTE ARBITRATION CLAUSE AT PARAGRAPH 21.

THIS AGREEMENT DATED AS OF _____, 19__.

Robert Lundgren, Controller
- ---------- ----------
(Typed or Printed Name)

X /s/ Robert Lundgren, Controller
- ----------
(Signature)

204 Plaza Centre, 3505
Silverside Road, Wimington, DE
19810
(Mailing Address)

- ----------
(Typed or Printed Name)

Account:979-01688-2-8

X_____
(Signature)

Date:9/12/95

Accepted By:_____
(Bear, Stearns
Securities Corp.)

Date:_____

SOLICITATION OF WRITTEN CONSENTS
BY BROOKE GROUP LTD.

To Our Fellow RJR Nabisco Shareholders:

This solicitation statement and the accompanying form of written consent are first being furnished by Brooke Group Ltd., a Delaware corporation ("Brooke Group"), on or about December 29, 1995, in connection with the solicitation by Brooke Group from the holders of shares of common stock, par value $.01 per share (the "Common Stock"), Series C Conversion Preferred Stock, par value $.01 per share ("PERCS"), and ESOP Convertible Preferred Stock, par value $.01 per share and stated value $16 per share ("ESOP Preferred Stock" and, together with the Common Stock and the PERCS, the "RJR Nabisco Voting Securities"), of RJR Nabisco Holdings Corp., a Delaware corporation ("RJR Nabisco"), of written consents to take the following actions without a stockholders' meeting, as permitted by Delaware law:

(1) Adopt the following advisory resolution (the "Spinoff Resolution"):

"RESOLVED, that the stockholders of RJR Nabisco, believing that the full business potential and value of RJR Nabisco can best be realized and reflected in the market for the benefit of stockholders by the separation of the tobacco and food businesses, hereby request and recommend that the RJR Nabisco Board of Directors immediately spin off the remaining 80.5% of Nabisco Holdings Corp. held by RJR Nabisco to stockholders."

(2) Amend the By-Laws of RJR Nabisco (the "Bylaws") to (i) reinstate the provision providing that special meetings of the stockholders shall be called by the Chairman or Secretary of RJR Nabisco if requested in writing by holders of not less than 25% of the Common Stock and (ii) delete the provision establishing procedures governing action by written consent of stockholders without a meeting (collectively, the "Bylaw Amendment").

Stockholders of RJR Nabisco are being asked to express their consent to the Spinoff Resolution and the Bylaw Amendment (together, the "Proposals") on the enclosed BLUE consent card.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT
TO EACH OF THE PROPOSALS.

On December 29, 1995, pursuant to Article I, Section 9 of the Bylaws, Brooke Group submitted a notice to the Secretary of RJR Nabisco requesting the Board of Directors of RJR Nabisco (the "Board") to fix January 12, 1996 as the record date for the solicitation (the "Record Date"). The Board may choose to ignore our requested Record Date but must act by January 8, 1996 to fix a Record Date which, pursuant to the Bylaws, can be no earlier than December 29, 1995 and no later than January 18, 1996. Brooke Group will provide further information to you once the Board has fixed the Record Date. To be effective, a written consent with respect to the Proposals must be delivered to RJR Nabisco within 60 days of the earliest dated written consent from a holder on the Record Date.

SUMMARY

The information in this summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Solicitation Statement.

Reasons for the Solicitation

Brooke Group believes an immediate spinoff of RJR Nabisco's remaining equity interest in Nabisco Holdings Corp. ("Nabisco") to RJR Nabisco's stockholders is the single most important action that the Board can take to improve the performance of both the tobacco and food businesses of RJR Nabisco and thereby to increase the value of stockholders' investment in RJR Nabisco today. According to published research reports by respected stock market analysts, spinning off Nabisco could increase the value of stockholders' investment in RJR Nabisco by as much as 50% or more over the prices that prevailed prior to the announcement of Brooke Group's involvement in RJR Nabisco.* Although admitting that a majority of stockholders favor a spinoff of Nabisco, the incumbent Board persists in adhering to a policy of delaying and obstructing a spinoff. Brooke Group believes the justifications offered by the Board for its policy of delaying a spinoff make no sense, and that the Board should and will abandon this policy if informed by a majority of stockholders that they do not support it and want an immediate spinoff of Nabisco.

Recently, the Board secretly took away stockholders' right to call a special meeting and imposed burdensome new conditions on stockholders' right to act by written consent without a meeting. These Bylaw amendments adopted in secret by the Board impair stockholders' ability to hold a referendum on a spinoff and to take other actions to increase the responsiveness of management to stockholders and enhance the value of stockholders' investment. Brooke Group believes these Bylaw amendments should be rescinded, so that stockholders will have restored to them the rights they have enjoyed since the public offering of RJR Nabisco stock in 1991.

The Proposals

Brooke Group is asking your consent to the Spinoff Resolution, which is an advisory resolution telling the RJR Nabisco Board that it should work for stockholders by completing the spinoff of Nabisco now, rather than advocating further delay and standing in the way. While the adoption of the Spinoff Resolution will have no binding legal effect, we believe that the Board should act responsively if the stockholders approve the Spinoff Resolution and, considering the Board's concerted opposition to this solicitation, would be hard pressed to disregard stockholders' views. Brooke Group believes that, as the true owners of RJR Nabisco, you and the other stockholders of RJR Nabisco should take this opportunity to let the incumbent Board know that you think an immediate spinoff of Nabisco is in your best interests. At the same time, Brooke Group is asking you to consent to the Bylaw Amendment, which will restore the stockholders' right to call a special meeting and remove the burdensome new written consent procedure.

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* For information with respect to these analyses by stock market professionals of the value of a spinoff to RJR Nabisco's stockholders, see "Reasons for the Solicitation -- The Spinoff Resolution." Of course, estimates of this kind are, by their nature, highly subjective and are influenced heavily by the assumptions used. These estimates are not a forecast by Brooke Group of the future trading value of any securities, and no assurance can be given that the values actually achieved in a spinoff would be the same as these estimates. No permission has been sought or received to quote from, or refer to, published materials cited in this Solicitation Statement.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO EACH OF THE PROPOSALS. YOUR CONSENT IS IMPORTANT. PLEASE MARK, SIGN AND DATE THE ENCLOSED BLUE CONSENT CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE PROMPTLY. FAILURE TO RETURN YOUR CONSENT WILL HAVE THE SAME EFFECT AS VOTING AGAINST THE PROPOSALS.

Certain Information about Brooke Group

Brooke Group is principally engaged, through its subsidiaries and affiliates, in the manufacture and sale of cigarettes and in the acquisition of operating companies. Brooke Group also has investments in a number of additional companies engaged in a diverse group of businesses. Brooke Group is a stockholder of RJR Nabisco. Brooke Group and its affiliates beneficially own 4,892,950 shares of Common Stock, or approximately 1.8% of the outstanding shares of Common Stock. In addition, Brooke Group and its wholly-owned subsidiary BGLS Inc. ("BGLS") have entered into an agreement, as amended (the "High River Agreement"), with High River Limited Partnership ("High River"), an entity owned by Carl C. Icahn, which beneficially owns 8,013,000 shares of Common Stock (or approximately 2.9% of the outstanding shares of Common Stock), pursuant to which High River has agreed, among other things, to consent to the Proposals with respect to all of its shares of Common Stock. See "Certain Information Concerning Brooke Group."

Brooke Group has no economic interest in the Proposals other than through its ownership of RJR Nabisco Voting Securities. Brooke Group is hereby pledging to the stockholders of RJR Nabisco that it will not accept any form of greenmail from RJR Nabisco during its solicitation of consents with respect to the Proposals, and that, absent RJR Nabisco irrevocably committing to an immediate spinoff, Brooke Group will continue this solicitation until either the Proposals are adopted or the time in which to solicit has expired. Brooke Group will terminate the solicitation of consents if RJR Nabisco irrevocably commits to an immediate spinoff of its remaining equity interest in Nabisco. High River has agreed in the High River Agreement that it will not accept any form of greenmail from RJR Nabisco during the solicitation.

Consent Procedure

The Proposals will become effective when properly completed, unrevoked consents are signed by the holders of record as of the Record Date of a majority of the voting power of the then outstanding RJR Nabisco Voting Securities and are delivered to RJR Nabisco and, pursuant to RJR Nabisco's recent bylaw amendment, an independent inspector certifies to RJR Nabisco that the consents delivered in accordance with Section 9(a) of the Bylaws represent at least the minimum number of votes that would be necessary to take the corporate action, provided that the requisite consents are so delivered within 60 days of the date of the earliest dated consent delivered to RJR Nabisco.

Brooke Group has retained Georgeson & Company Inc. ("Georgeson") to assist in the solicitation. If your shares are held in your own name, please sign, date and mail the enclosed BLUE consent card to Georgeson in the postage-paid envelope provided. If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can execute a BLUE consent card with respect to your shares and only upon receipt of specific instructions from you. Accordingly, you should contact the person responsible for your account and give instructions for

the BLUE consent card to be signed representing your shares. Brooke Group urges you to confirm in writing your instructions to the person responsible for your account and to provide a copy of those instructions to Brooke Group in care of Georgeson at the address set forth below so that Brooke Group will be aware of all instructions given and can attempt to ensure that such instructions are followed.

If you have any questions about executing your consent or require assistance, please contact:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, New York 10005
Toll Free: (800) 223-2064

Banks and Brokerage Firms, please call collect:
(212) 440-9800

INTERNET INFORMATION

To access more information about our solicitation on the World Wide Web, use the following address:

http://www.georgeson.com

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PROPOSALS

This solicitation statement and the accompanying form of written consent are first being furnished by Brooke Group on or about December 29, 1995, in connection with the solicitation by Brooke Group from the holders of shares of Common Stock, PERCS and ESOP Preferred Stock of written consents to take the following actions without a stockholders' meeting, as permitted by Delaware law:

(1) Adopt the Spinoff Resolution, which is an advisory resolution to the Board:

> "RESOLVED, that the stockholders of RJR Nabisco, believing that the full business potential and value of RJR Nabisco can best be realized and reflected in the market for the benefit of stockholders by the separation of the tobacco and food businesses, hereby request and recommend that the RJR Nabisco Board of Directors immediately spin off the remaining 80.5% of Nabisco Holdings Corp. held by RJR Nabisco to stockholders."

(2) Adopt the Bylaw Amendment, which would amend the Bylaws to (i) reinstate the provision of Article I, Section 2 providing that special meetings of the stockholders shall be called by the Chairman or Secretary of RJR Nabisco if requested in writing by holders of not less than 25% of the Common Stock and (ii) delete the provision setting forth procedures governing action by written consent of stockholders without a meeting:

> "RESOLVED, that Article I, Section 2 of the By-Laws of RJR Nabisco be amended to read in its entirety as follows:
>
> `Section 2. Annual and Special Meetings. Annual meetings of stockholders shall be held, at a date, time and place fixed by the Board of Directors and stated in the notice of meeting, to elect a Board of Directors and to transact such other business as may properly come before the meeting. Special meetings of stockholders may be called by the Chairman for any purpose and shall be called by the Chairman or the Secretary if directed by the Board of Directors or requested in writing by the holders of not less than 25% of the common stock of the Corporation. Each such stockholder request shall state the purpose of the proposed meeting.' and that Article I, Section 9 of the By-Laws be repealed in its entirety."

Annex A sets forth the Bylaw provision recently adopted by RJR Nabisco relating to procedures governing stockholders' action by written consent. Brooke Group is proposing to delete this provision in its entirety.

Stockholders of RJR Nabisco are being asked to express their consent to the Proposals on the enclosed BLUE consent card.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO EACH OF THE PROPOSALS.

On December 29, 1995, pursuant to Article I, Section 9 of the Bylaws, Brooke Group submitted a notice to the Secretary of RJR Nabisco requesting the Board to fix January 12, 1996 as the Record Date for the solicitation. The Board may choose to ignore our requested Record Date but must act by January 8, 1996 to fix a Record Date which, pursuant to the Bylaws, can be no earlier than December 29, 1995 and no later than January 18, 1996. Brooke Group will provide further information to you once the Board has fixed the Record Date. To be effective, a written consent with respect to the Proposals must be delivered to RJR Nabisco within 60 days of the earliest dated written consent from a holder on the Record Date.

REASONS FOR THE SOLICITATION

Recent research reports published by respected stock market analysts have estimated that spinning off Nabisco to RJR Nabisco's stockholders could increase the value of stockholders' investment in RJR Nabisco by as much as 50% or more over the prices that prevailed prior to the announcement of Brooke Group's involvement in RJR Nabisco.(1) The incumbent Board, however, has unilaterally adopted a policy of advocating delay and obstructing a spinoff of Nabisco, and recently decided secretly to take away stockholders' right to call a special meeting where stockholders could hold a referendum on a spinoff and take other actions to increase the responsiveness of management to stockholders and enhance the value of stockholders' investment.

Until Brooke Group announced its intention to proceed with this solicitation, the RJR Nabisco Board had maintained that there was no discernible stockholder interest in a spinoff of Nabisco. RJR Nabisco Chairman Charles M. Harper now concedes that there is overwhelming interest, and that a majority of the stockholders want a Nabisco spinoff. But, labelling Brooke Group's present initiative "irresponsible," Mr. Harper, and now Mr. Goldstone, the new Chief Executive Officer, say that only the RJR Nabisco Board can determine when the time is right to do the spinoff, and that now is not that time.

Brooke Group believes that attacks upon Brooke Group and the effort by the Board to squelch discussion and consideration of the spinoff are the truly irresponsible acts. We are asking your consent to an advisory resolution telling the RJR Nabisco Board that it should work for stockholders by completing the spinoff of Nabisco now, rather than advocating further delay and standing in the way. We believe that if the Board hears, not only that stockholders want a spinoff, but that they want it now, the Board would be remiss if it did not adjust its policy to reflect stockholders' consensus.

Brooke Group believes that, as the true owners of RJR Nabisco, you and the other stockholders of RJR Nabisco should take this opportunity to let the incumbent Board know that you think an immediate spinoff is in your best interests. At the same time, Brooke Group is asking you to help restore stockholders' rights at RJR Nabisco by voting to reinstate your right as a stockholder to call a special meeting and to remove the burdensome new written consent procedure.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO EACH OF THE PROPOSALS. YOUR CONSENT IS IMPORTANT. PLEASE MARK, SIGN AND DATE THE ENCLOSED BLUE CONSENT CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE PROMPTLY. FAILURE TO RETURN YOUR CONSENT WILL HAVE THE SAME EFFECT AS VOTING AGAINST THE PROPOSALS.

The Spinoff Resolution

Brooke Group believes that an immediate spinoff of RJR Nabisco's remaining equity interest in Nabisco is the single most important action that the Board could take to enhance the value of your investment today. The Board, as your fiduciary, is supposed to act in the best interests of stockholders. Nevertheless, the Board has repeatedly rejected the alternative of spinning off Nabisco.

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(1) For information with respect to these analyses by stock market professionals of the value of a spinoff to RJR Nabisco's stockholders, see "-- The Spinoff Resolution." Of course, estimates of this kind are, by their nature, highly subjective and are influenced heavily by the assumptions used. These estimates are not a forecast by Brooke Group of the future trading value of any securities, and no assurance can be given that the values actually achieved in a spinoff would be the same as these estimates. No permission has been sought or received to quote from, or to refer to, published materials cited in this Solicitation Statement.

The Board's Failed Efforts to Improve Performance and Stockholder Value

Last year, when the Board sold a minority stake in Nabisco and used the sale proceeds to prepay debt to banks and bondholders, it claimed that this sale would be a better course of action for stockholders than a spinoff. The Board stated that the stock market would recognize the value of Nabisco and reward RJR Nabisco stockholders with a higher stock price. This year, when the Board opposed a stockholder resolution recommending a spinoff, the Board reiterated this assertion, claiming that the stock price would also be boosted by a then-pending exchange of debt securities issued by Nabisco, Inc., a wholly owned subsidiary of Nabisco ("Nabisco, Inc."), for outstanding debt securities of RJR Nabisco, Inc., a wholly owned subsidiary of RJR Nabisco ("RJRN"), by a then-proposed "reverse split" which would reduce the number of shares of Common Stock outstanding and result in securities priced at a level which would be more attractive to institutional investors and foster broker/dealer recommendations, and by a new policy of paying quarterly dividends of 37-1/2 cents per share of Common Stock. All of these transactions, the Board said, would provide tangible benefits to stockholders.

But the last year has proven the incumbent Board wrong. The Board's financial tinkering has done nothing to improve the market price of your stock. Instead of encouraging financial markets to recognize the value of Nabisco, the Board's actions have only highlighted the extent to which the value of your investment in Nabisco is being dragged down by concerns about the tobacco business and by the overall lackluster performance of the combined company. You can see the results of the Board's strategy on the following chart, which compares the rate of return to stockholders of RJR Nabisco during the year ending on August 28, 1995, the day on which news of our involvement in RJR Nabisco first became public, with the returns enjoyed by stockholders of the four other major U.S. cigarette companies during such period, exclusive of Brooke Group. All of the companies have other businesses and are diversified; however, the principal source of income of each of the companies is derived from their respective cigarette operations.

---GRAPHICAL REPRESENTATION OF ONE YEAR RATE OF RETURN TABLE
FOR THE PERIOD AUGUST 26, 1994 TO AUGUST 28, 1995---
(New Valley's Hart-Scott-Rodino Filing was announced on August 29, 1995)

Loews	44.2%
Philip Morris ..	32.8%
BAT	26.2%
American	23.5%
RJR	-12.0%
S&P Tobacco	28.6%
S&P 500	20.9%
DJIA	21.2%

Return = Stock price appreciation + dividends + interest earned on dividends (calculated using the 91-day T-Bill rate)

The one year rate of return for stockholders of Brooke Group during this period was 190.8%, of which 83% is attributable to returns on MAI Systems Corporation stock distributed to Brooke Group stockholders during 1995. This information has been omitted from the above chart as the purpose of this Solicitation Statement is not to compare Brooke Group or its management with RJR Nabisco.

As you can see, RJR Nabisco's stock was the worst-performing of any of the cigarette company stocks over this period. It was the only cigarette company stock to have a negative return, underperforming the S&P tobacco index by more than 40 percentage points, and significantly underperforming broader stock market indices as well.

The poor performance of RJR Nabisco's stock is nothing new. Since the initial public offering of Common Stock on February 1, 1991, through August 28, 1995, RJR Nabisco has been the worst-performing cigarette company stock. You can see the facts for yourself:

COMPOUNDED ANNUAL RATES OF RETURN
(FEBRUARY 1, 1991 -- AUGUST 28, 1995)

(Period from RJR's IPO to Announcement
of New Valley's Hart-Scott-Rodino Filing)

BAT	11.9%
Philip Morris ..	9.8%
Loews	5.9%
American	5.6%
RJR	-0.5%
S&P Tobacco	9.8%
S&P 500	14.0%
DJIA	14.7%

Return = Stock price appreciation + dividends + interest earned on dividends (calculated using the 91-day T-Bill rate)

The compounded annual rate of return for stockholders of Brooke Group during this period was 29.3%, including returns on MAI Systems Corporation stock, as well as on SkyBox International Inc. stock, distributed to Brooke Group stockholders during 1995 and 1993, respectively. A $100 investment in Brooke Group Ltd. on February 1, 1991 would have resulted in a total return of $324 to shareholders. The $324 consists of the following amounts: Brooke Group Ltd. $61; SkyBox International Inc. $217; MAI Systems Inc. $24; and Cash Dividends and Interest $22. The total return has been computed assuming cash dividends have been reinvested at the 91-Day T-Bill rate and stock distributions have been held until the later of (i) August 28, 1995 or (ii) a tender offer for the stock. This information has been omitted from the above chart as the purpose of this Solicitation Statement is not to compare Brooke Group or its management with RJR Nabisco.

While the value of the stockholders' investment has languished, notwithstanding the various actions implemented by the Board, Brooke Group believes that the real beneficiaries of these actions have been RJR Nabisco's banks and bondholders. In order to maintain debt ratings at the time of the sale to the public of the minority interest in Nabisco, the incumbent directors adopted an anti-spinoff policy, declaring that they would not allow a spinoff of Nabisco until 1997 at the earliest, and that even then a spinoff of Nabisco would not be permitted before 1999 if RJR Nabisco's debt rating would fall below investment grade. The Board then reaffirmed its anti-spinoff policy -- in circumstances where it no longer made sense to do so (see discussion below) -- when proposing and implementing the debt exchange offer. In connection with this partial sale and the subsequent debt exchange offer, the Board also adopted policies restricting the amount of cash dividends that can be paid on your stock and pledging to use the proceeds of any issuance and sale

of equity of RJR Nabisco, any sale of tobacco assets outside the ordinary course of business and any sale by RJR Nabisco of its Nabisco stock to prepay debt or to purchase new properties, assets or businesses. We believe that all of these policies benefit banks and bondholders, but demonstrably have not benefitted the stockholders.

A Spinoff Now Presents the Strongest Prospect for Improved Performance and Increased Stockholder Value

The reasons for an immediate spinoff of Nabisco are clear. RJR Nabisco currently consists of two completely unrelated businesses -- the R.J. Reynolds tobacco business and the Nabisco food business. The tobacco and food businesses have distinct financial, investment and operating characteristics. Brooke Group believes that there is no good reason to conduct these unrelated businesses through a single corporate entity, and believes, as described below, that each business would operate more efficiently and more profitably if separated from the other.

In addition, the stock market's negative view of the tobacco business, due to declining sales of tobacco in the United States, increased regulatory attention and the potential liability from tobacco-related litigation, is preventing you from enjoying the full value of your investment in RJR Nabisco. Food companies like Nabisco typically trade at much higher multiples of earnings and book value than do tobacco companies. The S&P index of food companies trades at a multiple of 18.23 times the last twelve-months earnings per share, while the S&P index of tobacco companies trades at a multiple of 13.77 times the last twelve-months earnings per share.

Brooke Group believes that the potential benefits to both businesses flowing from a separation are numerous. In the competitive and rapidly changing food business, a sharply focused management team at an independent Nabisco should be able to respond to future changes and challenges with greater flexibility and speed, without being distracted by the problems of the tobacco business. The recent decision of the Board to additionally charge John Greeniaus, the President and Chief Executive Officer of Nabisco, with responsibility for the tobacco business was a noteworthy example of the dilution of Nabisco management's attention and impact that has resulted from trying to combine unrelated businesses, rather than separating them. While the Board subsequently announced that Mr. Greeniaus would give up his positions at the tobacco company and return to Nabisco, we believe that this decision was made in response to our criticism and that nothing prevents Mr. Greeniaus, or other Nabisco managers, from taking on additional responsibilities at the tobacco company now or in the future. Indeed, the shifting and reshifting of personnel (as further evidenced by the recent election of Steven F. Goldstone as Chief Executive Officer of RJR Nabisco) is indicative, in our view, of fundamental problems, not curable without a definitive separation of the companies. Further, we believe that the decision to make Nabisco an independent company should assist Nabisco in recruiting new management and other personnel who might otherwise feel reservations about joining Nabisco in view of the controversies currently surrounding the tobacco industry. By creating a stand-alone company separate from the tobacco business, Nabisco should be able to improve its consumer image and shed the negative impact that the tobacco operations have on the sale of its food products, as evidenced by consumer boycotts. Indeed, Ben & Jerry's Homemade Inc.'s decision, as early as 1990, to stop using Nabisco's OREO cookies in its ice cream products because of Nabisco's affiliation with tobacco is one example of the negative impact that tobacco is having on the food operations. Finally, by eliminating the need for RJR Nabisco to retain 80% control of Nabisco for tax and financial reporting purposes, a Nabisco spinoff would free Nabisco to use its common stock for acquisitions, incentive compensation to help retain and hire qualified managers and for raising

capital, which Brooke Group believes would enhance Nabisco's competitive position. For example, Nabisco would be able to raise capital to finance recent large marketing expenditures for product introductions.

A spinoff of Nabisco would similarly afford R.J. Reynolds the opportunity to operate under the direction of focused managers. Mr. Harper, until recently the top executive at RJR Nabisco, is a life-long food company manager, inexperienced in the tobacco business. Similarly, Mr. Goldstone, the recently elected Chief Executive Officer, had, until February of 1995, spent his entire career as an attorney in private practice. The absence of strategic direction from the top, in Brooke Group's view, is one of the major factors contributing to the prolonged slide in R.J. Reynold's market share. According to data obtained from The Maxwell Consumer Report, RJR Nabisco's share of the total U.S. Cigarette market declined from 31.6% in 1985 to 25.8% in the nine months ended September 30, 1995. Furthermore, RJR Nabisco began to experience significant decline in the more profitable full-priced segment in 1985. Its share of this segment declined from 32.8% in 1985 to 23.1% in 1995. This slide in market share consisted primarily of the Winston and Salem brands, which declined from 13.0% and 8.8%, respectively, to 8.3% and 5.3%, respectively. As a separate company, R.J. Reynolds would be better able to attract and retain top management with a deep knowledge of the challenges and opportunities in the tobacco business. Independence would also give R.J. Reynolds greater flexibility in structuring additional equity and debt financings and in pursuing other business opportunities, and in developing stock-based management incentives tied solely to results of tobacco operations. Separation of the food business would also allow R.J. Reynolds to address more aggressively the spectrum of legal and political issues which confront the tobacco industry.

In our view, all of this means that there is a tremendous opportunity to unlock value for stockholders by separating RJR Nabisco into two independent, publicly-held companies -- R.J. Reynolds and Nabisco. Brooke Group believes that this could be accomplished by the Board acting now to spin off all of RJR Nabisco's remaining interest in Nabisco to you and the other RJR Nabisco stockholders. The stock market would then be free to evaluate the two businesses separately, recognizing the inherent value of each business, and the businesses themselves would be able to run more rationally and efficiently.

Scientific studies have confirmed the benefits of spinoffs to stockholders. A study published in the Journal of Financial Economics in 1993, analyzing the results of 146 spinoffs occurring during the 1965-1988 period, demonstrated that return on shares of spun-off companies was an average of 52% in the two years following the spinoff, and an average of 76% in the three years following the spinoff, significantly exceeding the return on shares of 25% and 34%, respectively, of comparable firms matched on the basis of market value and industry classification during that period. The study also showed that the return on shares of parents of the spun-off companies significantly outperformed comparable firms over the two and three years following the spinoff, with the return on shares of the parent averaging 54% and 67%, respectively, and the return on shares of comparable firms averaging 27% and 18%, respectively.(2) The benefits of spinoffs

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(2) Patrick J. Cusatis, James A. Miles and J. Randall Woolridge, "Restructuring through spinoffs: The stock market evidence," Journal of Financial Economics 33 (1993) 293-311. Mr. Cusatis currently is a Vice President at Lehman Brothers. Messrs. Miles and Woolridge, currently are professors of finance at Smeal College of Business Administration, Pennsylvania State University. The authors analyzed only those spinoffs occurring during the 1965-1988 period that were a tax-free, pro-rata distribution of shares of a wholly owned subsidiary to shareholders and for which stock prices were available. Return (price appreciation and dividends) was computed using a buy-and-hold investment strategy. The study did not analyze periods beyond three years from the spinoff. Brooke Group has not made any additional inquiry into whether the trend has continued beyond the indicated time periods.

demonstrated by this study have been confirmed by other empirical analyses by a major Wall Street investment bank.

The managements of many public companies have used spinoffs to enhance stockholder value. The number of spinoffs has been increasing dramatically, and the companies announcing spinoffs recently have included giants like AT&T, ITT, Sears, General Motors, W.R. Grace and The Limited. The following chart shows the volume of completed U.S. spinoffs since 1991, as well as the volume of spinoffs announced in 1995.

GRAPHICAL REPRESENTATION OF
VOLUME OF U.S. SPINOFFS

	1991	1992	1993	1994	1995
	(U.S. Dollars in Billions)				
Completed (through 10/15/95)	4.6	5.7	14.2	23.4	25.6
Pending	--	--	--	--	39.0*

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Source: Barron's and Securities Data Company

* Pending spinoffs exclude the pending AT&T spinoff, as well as the spinoff announced November 1, 1995 by Premark International of its Tupperware business.

The experience of AT&T -- where the stock price increased by 10% on a single day upon announcement of a spinoff plan and has risen since the beginning of the year, through December 27, 1995, by a total of 29.1% to date -- is only the most recent example of the way that spinoffs can enhance stockholder value.

RJR Nabisco Chairman Harper, however, is a non-believer. On November 2, 1995, citing unidentified investment bankers retained by RJR Nabisco, Mr. Harper told Bloomberg Business News ("BBN") that a spinoff of Nabisco would provide only a 5% to 10% increase in stock value, and that "if we could get two bucks added (to the current price), we would do that tomorrow -- but we will not take unreasonable risks." Mr. Goldstone, the new Chief Executive Officer, is also a non-believer.

Many respected stock market analysts disagree with current management and believe that RJR Nabisco's stockholders could achieve far better results from a spinoff of Nabisco -- gaining as much as 50% or more in the value of their Common Stock, based on the $26.75 closing price per share of Common Stock on the New York Stock Exchange on August 28, 1995, the day before the first public announcement of our involvement in RJR Nabisco. Although some analysts hold different opinions, Brooke Group believes that you should consider the views of the following investment professionals who support our position that stockholders would benefit from a spinoff:

- In a December 6, 1995 research report, Gary Black of Sanford C. Bernstein & Co., Inc., who was selected by this year's Institutional Investor magazine poll as the first team All-American tobacco industry analyst, computed a value of $41 per share of Common Stock -- a 53% gain -- if Nabisco is spun off and RJR Nabisco's dividend is increased from the current level of $1.50 per share to $1.65 per share.(3)

- On September 26, 1995, Diana Temple, a tobacco industry analyst at the well-known investment bank, Salomon Brothers Inc, and an Institutional Investor runner-up, calculated a potential value of $40.40 per share of Common Stock -- a 51% gain -- for a spinoff of Nabisco, even without an increase in RJR Nabisco's dividend.(4)

- Ronald B. Morrow of Rodman & Renshaw, Inc., a respected investment research company, was even more optimistic in his September 26, 1995 report to investors, estimating a value of $60.50 per share for the Common Stock -- a 126% gain -- in a break-up scenario.(5)

Our own actions have demonstrated the strength of our conviction that a spinoff will enhance stockholder value at RJR Nabisco. Brooke Group and its affiliates have invested nearly $150 million in RJR Nabisco Voting Securities, and have no economic interest in the Proposals other than through their ownership of RJR Nabisco Voting Securities. Brooke Group is hereby pledging to the stockholders of RJR Nabisco that it will not accept any form of greenmail from RJR Nabisco during its solicitation of consents with respect to the Proposals, and that, absent RJR Nabisco irrevocably committing to an immediate spinoff, Brooke Group will continue this solicitation until either the Proposals are adopted or the time in which to solicit has expired. Brooke Group will terminate the solicitation of consents if RJR Nabisco irrevocably commits to immediately spin off its remaining equity interest in Nabisco.

The Board's Opposition to a Spinoff Now

The Board has raised three basic arguments for refusing to commit to an immediate spinoff: (1) preservation of financial integrity and binding commitments, (2) potential litigation and (3)

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(3) The report assumes that a post spinoff Nabisco would be worth $18 per share, based upon the distribution of the then market value of the shares of Nabisco owned by RJR Nabisco to its stockholders. The report further assumes that the price per share of post spinoff RJR Nabisco would be $23 per share based upon a 7% yield of the $1.65 dividend and a Cash P/E Ratio of 8.3.

(4) Ms. Temple is currently a Director of research at Salomon Brothers Inc. The $40.40 per share value is based on a $20.40 per share value for the post spinoff Nabisco (based upon an earnings multiple of 20 times 1996 estimated earnings per share of $1.02) and a $20 per share value for post spinoff RJR Nabisco (based upon a 7.5% yield on a $1.50 pure tobacco dividend).

(5) Mr. Morrow is the senior director in the consumer non-durable sector at Rodman & Renshaw, Inc. The $60.50 per share value is based on a $19.22 per share value of a stand-alone Nabisco (based upon the aggregate market value at July 22, 1995 of Nabisco stock held by RJR Nabisco, distributed pro rata to RJR Nabisco stockholders) and a $41.27 per share value of the stand-alone RJR Nabisco tobacco company. The $41.27 value was based upon a total capitalization-to-cash flow multiple (based upon 1995 estimated tobacco cash flow of $2.4 billion and estimated tobacco free cash flow of $1.1 billion) equal to a 30% premium over the American Tobacco Company's cash flow multiple of about 6.7x at its sale in December 1994 (as computed by Mr. Morrow), because of strong global brands.

tax-free treatment of the spinoff. Brooke Group believes that each of these arguments is without merit and can be easily refuted.

The "Financial Integrity and Binding Commitments" Argument

The Board has stated that a spinoff "must preserve the financial integrity of both the food and tobacco businesses." Although the Board does not state that a spinoff would imperil the financial integrity of either the food or tobacco businesses, the implication of the Board's recent remarks is that a spinoff might have such an effect.

Brooke Group believes that Nabisco is well positioned to be spun off and move forward successfully as an independent company, as evidenced by recent analysts' reports. A November 1, 1995 research report by Bear, Stearns & Co. Inc. gives Nabisco an "Attractive" rating and states that the "quality of the company's earnings is high."(6) On November 3, 1995, Fitch Investors Service ("Fitch") noted that, following a spinoff, "Nabisco's `BBB/F-2' ratings could, over the long term, be strengthened," and in fact "could improve markedly but will be influenced by subsequent developments."(7)

Nor do the circumstances suggest that the tobacco business's financial integrity will be compromised by a spinoff. The Board has asserted that the Nabisco spinoff is impracticable because of the "binding financial commitments" that RJR Nabisco has made in the past. The Board has raised the spectre of possible litigation by bondholders to enjoin a spinoff. But the only "binding commitments" which RJR Nabisco has disclosed are certain covenants in RJRN's bank credit agreement, which supports $286 million of commercial paper outstanding as of September 30, 1995. Brooke Group believes that this relatively small indebtedness could be readily refinanced to eliminate any impediment to a spinoff of Nabisco.

As the Board well knows, the policies voluntarily adopted by the Board to delay a spinoff, to restrict the payment of dividends and to restrict the use of proceeds of stock and asset sales are entirely non-binding. They are not the equivalent of a bond indenture or other legally binding agreement, and the Board can rescind them at any time. In its Form 10-K for 1994, filed with the Securities and Exchange Commission (the "SEC") on March 1, 1995, and in the Form S-4 Registration Statement filed with the SEC in connection with the debt exchange offer, Nabisco describes the RJR Nabisco Board's spinoff-delay policy, but notes that RJR Nabisco does not have an agreement with Nabisco not to sell or distribute the Nabisco stock its holds, and that "there can be no assurance concerning the period of time during which [RJR Nabisco] will maintain its beneficial ownership" of Nabisco stock. Indeed, in discussions with Brooke Group representatives earlier this year (see "Background"), representatives of RJR Nabisco -- including its recently appointed Chief Executive Officer, Mr. Goldstone -- confirmed the non-binding nature of these policies and stated that the Board could and would change the policies in response to changed business circumstances.

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(6) The Bear Stearns report was written by two of its analysts, Laurie Feldman and Brian Sedrish. The authors' "Attractive" rating is based on the belief that "volume reacceleration and earnings recovery could begin late in the fourth quarter and could gain momentum in the first half of 1996, especially in the face of very easy comparisons, benefits from recent acquisitions, better volume growth due to further market penetration of new products, and lower marketing expenditures." Additionally, the authors base their opinion on the quality of the earnings on the fact that it has been derived from positive fundamentals and not from corporate financial maneuverings that bring onetime benefits.

(7) In stating the potential for improvement in Nabisco's rating, the Fitch report also stated that RJR Nabisco's "BBB-/F-3 ratings would be negatively impacted." The Fitch report, by way of example of "subsequent developments," stated that if potential fraudulent conveyance claims are successful (an assertion which Brooke Group strongly disputes) and the Nabisco shares are sold to a financial buyer, a reevaluation of Nabisco's credit quality would be appropriate.

Brooke Group believes that these anti-spinoff policies have outlived their usefulness. In large measure, the original reason for the anti-spinoff policy was to assure cash flow from Nabisco to RJRN -- because essentially all of RJR Nabisco's consolidated debt was lodged there. This RJRN debt was reduced, however, by more than $4 billion through the debt exchange offer and related refinancings, which made Nabisco, Inc. the obligor on this debt. The debt service coverage of RJRN's debt was enhanced at the time of the debt exchange and Nabisco can well service the $4 billion of debt incurred. As a consequence, there was no need for the Board to reiterate its anti-spinoff policy. Indeed, as more fully discussed below, RJRN's debtholders are better off, as far as we can see, based on coverage, and the Nabisco debtholders benefit from the quality of Nabisco's cash flow. Based on RJR Nabisco's actual results as disclosed in its financial statements and the following tables, if R.J. Reynolds and Nabisco were separated, R.J. Reynold's EBITDA/Interest Expense Coverage Ratio would have increased from 4.81 to 5.38. Further, R.J. Reynold's current Net Debt/Stockholders' Equity ratio would have decreased from 0.91 to 0.73.

The following tables(8) demonstrate our view of the spinoff on the EBITDA/Interest Expense Coverage Ratio and Debt/Equity Ratio of the separated companies:

RJR Nabisco

Analysis of Coverage Ratios
(Dollars in Millions)

	Combined RJR Nabisco	RJR Tobacco	Nabisco
EBIT For the Year Ended December 31, 1994	$2,440	$1,573	$ 867
EBITDA For the Year Ended December 31, 1994	$3,592	$2,282	$1,310
Interest Expense	$ 747	$ 424	$ 323
EBIT/Interest Expense	3.27	3.71	2.68
EBITDA/Interest Expense	4.81	5.38	4.06

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EBIT = Earnings Before Interest and Taxes

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Interest Expenses is based on debt and respective interest rates at 9/30/95 (based upon public financial statements). Interest Expense does not include Interest on Trust Oriented Preferred Securities ($95) and dividends on Series B Preferred Stock ($28). If such Fixed Charges were included, Holdings', RJR's and Nabisco's respective EBIT Coverage ratios would be 2.80, 2.87 and 2.68 and EBITDA Coverage ratios would be 4.13, 4.17 and 4.06, respectively.

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(8) The tables are based on information obtained from RJR Nabisco's and Nabisco's respective Form 10-Ks (December 31, 1994) and Form 10-Qs (September 30, 1995) filed with the SEC and Brooke Group has assumed that the spinoff would be effected on a basis consistent with information contained in these documents. Brooke Group can offer no assurance that the spinoff would be accomplished on such a basis presented above. Furthermore, changes in the assumptions, which include, but are not limited to, allocation of debt owed by RJR Nabisco and Nabisco and headquarters' expenses, could result in changes in the respective Net Debt/Stockholders' Equity and Coverage Ratios. Expenses associated with a proposed spinoff have not been included. Based upon a review of currently available information, Brooke Group does not believe that a spinoff would require the consent of public debtholders, other than with respect to the RJRN bank credit agreement which supports $286 million of commercial paper outstanding as of September 30, 1995.

RJR Nabisco

Analysis of Debt by Company
(Dollars in Millions)
As of September 30, 1996

	Combined RJR Nabisco	RJR Tobacco	Nabisco
Public Debt	$ 7,213	$4,267	$2,946
Commercial Paper	1,634	286	1,348
Other Indebtedness	980	801	179
Total Debt(a)	9,827	5,354	4,473
Less: Cash on Hand	(354)	(221)	(133)
Net Debt	$ 9,473	$5,133	$4,340
Stockholders' Equity(b)	$10,423	$7,079	$4,180
Net Debt/Stockholders' Equity Ratio	0.91	0.73	1.04

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(a) Total Debt is composed of both Long-Term Debt and Notes Payable. Consistent with RJR Nabisco's Financial Statements at September 30, 1995, RJR Nabisco's Trust Oriented Preferred Securities ("Preferred Securities") of $954 have not been classified as indebtedness. If the Preferred Securities were included as debt, the respective Net Debt/Stockholders' Equity Ratios would be 1.00, 0.86 and 1.04, respectively.

(b) RJR Nabisco's Stockholders' Equity is adjusted for minority Interest of $836 in Nabisco's Stockholders' Equity.

Brooke Group recognizes, of course, that rating agencies such as Standard & Poor's, Moody's and Fitch are naturally conservative and at times reluctant immediately to embrace change. The Fitch report which noted the potential for improvement in Nabisco's ratings, opined that the post-spinoff tobacco business's ratings would likely be downgraded unless the company "demonstrate[s] that it has adequate cash and other resources to satisfy its obligations to its bondholders in the unlikely event of a significant tobacco judgment." While we do not expect the rating agencies to applaud the spinoff of Nabisco, we do expect that, particularly with the passage of time following a spinoff, the agencies will give a fair rating to the debt of the separated food and tobacco companies.

Based upon the publications described below, Brooke Group believes that a spinoff of Nabisco would not harm, and might improve, the position of bondholders and other creditors of RJR Nabisco. As Michael Dahood, a tobacco industry credit analyst for Rodman & Renshaw, Inc., stated in an October 24, 1995 research report: "An eventual spin-off or other separation of [Nabisco] would have some benefits for RJR Nabisco creditors, including lowering absolute debt levels and related interest expense and capital spending requirements." According to Mr. Dahood, a spinoff would reduce the absolute level of RJR Nabisco's consolidated debt by about $4 billion, or more than 40% (based upon Net Debt at 9/30/95 of $9.5 billion as detailed above). Based on this analysis and as discussed above, RJR Nabisco's consolidated debt-to-equity ratio would, thus, be reduced as well. Mr. Dahood further reports that Nabisco represented only about one-third of RJR Nabisco's total EBITDA in 1994, but now holds approximately 40% of RJR Nabisco's consolidated debt, and therefore we believe that consolidated cash flow coverage ratios for RJR Nabisco would also improve as a result of the spinoff. Indeed, in an article published in the December 4, 1995 Forbes Magazine, Frederick Taylor, a bond analyst at Salomon Brothers Inc, recommends RJR Nabisco's $250 million of 8.75% bonds, due 2007, as the "cheapest investment-grade paper out there" and Mr. Ronald Speaker, manager of the $588 million Janus Flexible Income Fund and an RJR Nabisco bondholder, indicates that with a spinoff, Nabisco would take a substantial percentage of RJR Nabisco's debt with it "-- leaving the balance with solid cover-

age." More to the point, as described above, the spinoff can be expected to result in improved operating performance by both the tobacco and food businesses in future years, benefitting creditors as well as stockholders.

There is, thus, a strong case to be made that investment grade ratings would be retained by both the food and tobacco companies following a spinoff of Nabisco. In the final analysis, however, Brooke Group does not believe that investment grade ratings are necessary to either Nabisco or, particularly, the tobacco company.

The "Potential Litigation" Argument

The Board has also asserted that the Nabisco spinoff is not appropriate at this time because of the "current litigative situation," and has specifically expressed concern that implementation of the spinoff might be delayed, to the financial detriment of RJR Nabisco stockholders, by litigation. We understand the Board's remarks as reflecting a fear that plaintiffs in pending tobacco product liability cases might seek to enjoin the spinoff by alleging that it constitutes a fraudulent conveyance. The effect of the Board's position, in refusing to act because of the fear that an injunction may be sought, is the same as if the injunction had been obtained. Brooke Group finds the Board's view to be singularly misguided, because neither Brooke Group -- nor, based on its public disclosure, RJR Nabisco -- believes that an injunction barring the spinoff is likely to be issued.

The key element of any potential lawsuit to enjoin the spinoff would be the allegation that RJR Nabisco either (i) is insolvent prior to attempting to effectuate the spinoff or (ii) would be rendered insolvent by the spinoff. A plaintiff seeking an injunction would have to show a high probability of establishing one or the other of the foregoing propositions at trial. Law professors at Harvard Law School and Columbia University were quoted in the New York Times on November 4, 1995 as expressing their doubt that such a showing could be made, or that an injunction against the spinoff would be issued. RJR Nabisco's 1994 annual report contains an unqualified report from RJR Nabisco's auditors and includes a statement that management believes that the outcome of all pending litigation will not have a material adverse effect on RJR Nabisco's financial position. This statement was recently reiterated in RJR Nabisco's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (the "1995 Third Quarter 10-Q"), filed on October 31, 1995. These disclosures are based upon more than 40 years of favorable litigation experience in the defense of tobacco product liability claims.

We agree with this conclusion. RJR Nabisco Chairman Harper, however, seemed to deviate from this conclusion when he told BBN on November 2, 1995 that tobacco product liability plaintiffs had "decent odds" of getting an injunction enjoining a spinoff of Nabisco. Mr. Harper's remarks are, in our view, an irresponsible scare tactic intended to frighten stockholders into withholding support for Brooke Group's solicitation and supporting, instead, the do-nothing posture of the Board.

We heartily disagree with the Board's timidity in the face of potential litigation, which has produced a paralysis detrimental to stockholders' interests. Brooke Group believes that the full potential of the food and tobacco businesses, and the full value of stockholders' investment, are being held hostage by the Board because of a remote litigation contingency. Brooke Group believes there are valid and compelling business reasons to do the spinoff now. We believe that delay by the Board will cause further erosion in the performance and competitive positions of both the food and tobacco companies. Throughout the course of public debate since we wrote to

the Board on October 30, 1995, representatives of RJR Nabisco have made vague promises of improvements in the "litigative situation" at some future date. The only "explanation" offered for how this might occur, however, has been Mr. Goldstone's recent statements that the tobacco litigation tends to be "cycled" and may be moving into an unexplained "third phase" which may be better for the tobacco defendants. Through our Liggett Group Inc. subsidiary, we are involved in the tobacco business and the product liability and other tobacco litigation. We have no idea what Mr. Goldstone and the other RJR Nabisco representatives are referring to in these statements. We are unable to discern in the Board's position any suggestion of when or how the "litigative situation" might become one in which the Board would comfortably act to authorize a spinoff, especially in light of the fact that the tobacco product liability plaintiffs' bar, as recently reported in the New York Times, has threatened "to file tens of thousands of individual lawsuits around the country" if their present class action is not certified. The Board's position is, in our view, merely a recipe for open-ended delay.

The "Tax-Free" Argument

RJR Nabisco has publicly disclosed that it has acted and has been acting to assure a tax-free spinoff. For example, in this year's proxy statement, filed with the SEC on March 20, 1995, RJR Nabisco's management stated that the partial sale of Nabisco and the subsequent exchange offer for RJRN debt were "structured in a manner that preserves the option of separating such businesses on a tax-free basis." As recently as October 9, 1995, a tobacco industry analyst employed by RJR Nabisco's investment banker stated in a published report that RJR Nabisco's management had assured him that "all tax-related preconditions" to a spinoff of Nabisco "had been addressed."

Recently, Mr. Harper cautioned that, "The more [Brooke Group's] actions focus attention on the non-business-related aspects of such a [spinoff] transaction . . . the greater the likelihood that a development will arise to jeopardize . . . a spin-off." In effect, the Board is saying that a spinoff would not be tax-free if its only purpose were to increase the price of the stock. The Board's comments are irrelevant to the proposed spinoff, however. Any enhancement of the stock price would follow from and reflect the enhanced potential for improved business performance. Brooke Group believes that the separation of RJR Nabisco's food business from tobacco would unlock the value in RJR Nabisco's depressed stock price by creating two distinct, unaffiliated companies, each better able to operate and achieve strong results in their respective businesses, as discussed at length earlier. See "A Spinoff Now Presents the Strongest Prospect for Improved Performance and Increased Stockholder Value."

The Bylaw Amendment

What did the incumbent directors do when they heard calls for a spinoff? Brooke Group believes the responsible reaction would have been for the Board to meet with stockholders and to work with stockholders for the enhancement of value through a spinoff.

Instead, the Board took the opposite approach. The Board moved to silence stockholders by making it more difficult for you to vote on a spinoff. The Board amended the Bylaws -- without a stockholder vote -- eliminating the stockholders' right to call a special meeting and imposing burdensome new requirements for stockholders who seek to act by written consent without a meeting. Significantly, the Board left intact its right to call a special meeting. In attempting to explain its amendments to the Bylaws, RJR Nabisco stated that it was not appropriate for corporate action to be approved at a special stockholders meeting by a mere affirmative vote of a majority of the shares needed to establish a quorum (possibly 25% of the outstanding, plus one share). In

order to correct this supposed "flaw," the Board eliminated the stockholders' right to call a special meeting, but not its own. When and if the Board calls a special meeting, any action the Board proposes can be passed by the same voting percentage which the Board says is not appropriate for a stockholder proposed matter. Additionally, we believe that the new written consent procedures permit the Board to manipulate its corporate governance machinery by granting the Board a 20-day period to set a record date. Since only the Board can know in advance the exact record date, stockholders who wish to act by written consent are placed at a distinct disadvantage. For more detailed information regarding the procedural requirements the Board recently implemented with respect to the exercises of written consent of stockholders, see "Consent Procedure."

This disturbing action was taken unilaterally and in secrecy, without informing stockholders that their rights, which had existed since RJR Nabisco's stock was first offered to the public in 1991, were being stripped away. Fortunately, you have certain legal rights that the Board cannot take from you without stockholders' permission. RJR Nabisco's stockholders still have the power to act by written consent to restore their right to call a meeting. Brooke Group urges you and the other stockholders to exercise this power by giving your CONSENT to the Bylaw Amendment on the enclosed BLUE consent card.

The effectiveness of the Bylaw Amendment would occur when properly completed, unrevoked consents are signed by the holders of record as of the Record Date of a majority of the voting power of the then outstanding RJR Nabisco Voting Securities and are delivered to RJR Nabisco and, in accordance with the recent bylaw change by RJR Nabisco, an independent inspector certifies to RJR Nabisco that the consents delivered in accordance with Section 9(a) of the Bylaws represent at least the minimum number of votes necessary to adopt the proposal (see "Effectiveness and Revocation of Consents" and "Consents Required").

There are no provisions in the Bylaws or in RJR Nabisco's Amended and Restated Certificate of Incorporation restricting the stockholders' ability to amend or repeal provisions of the Bylaws without the consent of the Board. Although, to Brooke Group's knowledge, there is no Delaware precedent precisely on point, Brooke Group is confident this repeal is enforceable. If it were not, Bylaws adopted by RJR Nabisco would not automatically be repealed, but would be subject to challenge in court.

SOLICITATION OF CONSENTS

Solicitation of consents may be made by the directors, officers, investor relations personnel and other employees of Brooke Group and certain of its subsidiaries and affiliates, none of whom will receive additional compensation for such solicitation. Consents may be solicited by mail, courier service, advertisement, telephone and telecopier and in person.

In addition, Brooke Group has retained Georgeson to assist in the solicitation, for which Georgeson is entitled, in the event the Proposals are adopted, to receive a fee of $150,000, plus its reasonable out-of-pocket expenses. Brooke Group has also agreed to indemnify Georgeson against certain liabilities and expenses, including certain liabilities and expenses under the Federal securities laws. It is anticipated that Georgeson will employ approximately 30 persons to solicit stockholders.

New Valley, Brooke Group and Liggett (as defined in "Background") have engaged Jefferies & Company, Inc. ("Jefferies") to act as financial advisor in connection with New Valley's investment in RJR Nabisco and this solicitation by Brooke Group. New Valley has

agreed to pay Jefferies (i) an initial fee of $1,500,000, and (ii) monthly fees of $250,000 and, in addition, during the first five full months of the engagement an additional monthly fee of $100,000. These companies also have agreed to pay Jefferies 10% of the net profit (up to a maximum of $15,000,000) with respect to Common Stock (including any distributions made by RJR Nabisco) held or sold by these companies and their affiliates after deduction of certain expenses, including the costs of this solicitation and certain proxy solicitations by the BGL Group and the costs of acquiring the shares of Common Stock (all of which expenses will be borne by New Valley, ALKI or the BGL Group). In addition, New Valley agreed to reimburse Jefferies for all reasonable out-of-pocket expenses, including the fees and expenses of its counsel, incurred by Jefferies in connection with its engagement and New Valley and Brooke Group agreed to indemnify Jefferies and certain related persons against certain liabilities and expenses. Jefferies will assist in the solicitation of consents in favor of the Proposals, which will be carried out by a team of individuals consisting of officers, associates and analysts of Jefferies numbering approximately 10 persons.

Banks, brokers, custodians, nominees and fiduciaries will be requested to forward solicitation materials to the beneficial owners of RJR Nabisco Voting Securities. Brooke Group and its affiliates will reimburse these record holders for customary clerical and mailing expense incurred by them in forwarding these materials to the beneficial owners.

The cost of the solicitation of consents to the Proposals will be borne by New Valley (as defined in "Background"). New Valley has entered into an agreement with Brooke Group pursuant to which it has agreed to pay directly or reimburse Brooke Group and its subsidiaries for reasonable out-of-pocket expenses incurred in connection with pursuing the Proposals. New Valley has also agreed to pay to BGLS a fee of 20% of the net profit received by New Valley or its subsidiaries from the sale of shares of Common Stock after achieving a rate of return of 20% and after deduction of certain expenses, including the costs of this solicitation and of acquiring the shares of Common Stock. New Valley has also agreed to indemnify Brooke Group against certain liabilities arising out of the solicitation. Brooke Group, or New Valley, as applicable, will seek reimbursement for such expenses from RJR Nabisco. Costs incidental to the solicitation of consents include expenditures for printing, postage, legal and related expenses, and are expected to be approximately $5 million.

CONSENT PROCEDURE

Section 228 of the Delaware General Corporation Law (the "DGCL") states that, unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action that may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and those consents are delivered to the corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the corporation having custody of the books in which proceedings of meetings of stockholders are recorded. RJR Nabisco's certificate of incorporation does not prohibit stockholder action by written consent.

Section 213(b) of the DGCL provides that if no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required, shall be the

first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the corporation having custody of the books in which proceedings of meetings of the stockholders are recorded. Notwithstanding the foregoing, on August 21, 1995, RJR Nabisco amended its Bylaws to add a new Section 9 to Article I of the Bylaws which sets forth a lengthy process which stockholders must follow in order to seek action by written consent without a meeting. Pursuant to Section 9(a) thereof, a stockholder seeking to have the stockholders of RJR Nabisco authorize or take corporate action by written consent is required to request the RJR Nabisco Board to fix a record date. The RJR Nabisco Board is required to promptly, but in all events within 10 days after the date on which the request is received, adopt a resolution fixing the record date for the solicitation (which may not be more than 10 days after the date of the resolution). On December 29, 1995 pursuant to Article I, Section 9 of the Bylaws, Brooke Group submitted a notice to the Secretary of RJR Nabisco requesting the Board to fix January 12, 1996 as the Record Date for the solicitation. The Board may choose to ignore our requested Record Date but must act by January 8, 1996 to fix a Record Date which, pursuant to the Bylaws, can be no earlier than December 29, 1995 and no later than January 18, 1996. Brooke Group will provide further information to you once the Board has fixed the Record Date.

Effectiveness and Revocation of Consents

The Proposals will become effective when properly completed, unrevoked consents are signed by the holders of record as of the Record Date of a majority of the voting power of the then outstanding RJR Nabisco Voting Securities and are delivered to RJR Nabisco and, pursuant to RJR Nabisco's recent bylaw amendment, nationally recognized independent inspectors of elections, hired by RJR Nabisco for the purpose of performing a ministerial review of the validity of the consents and revocations, certify to RJR Nabisco that the consents delivered in accordance with Section 9(a) of the Bylaws represent at least the minimum number of votes that would be necessary to take the corporate action, provided that the requisite consents are so delivered within 60 days of the date that the earliest dated consent was delivered to RJR Nabisco.

An executed consent card may be revoked at any time by marking, dating, signing and delivering a written revocation before the time that the action authorized by the executed consent becomes effective. A revocation may be in any written form validly signed by the record holder as long as it clearly states that the consent previously given is no longer effective. The delivery of a subsequently dated consent card which is properly completed will constitute a revocation of any earlier consent. The revocation may be delivered either to Brooke Group, in care of Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005, or to RJR Nabisco at 1301 Avenue of the Americas, New York, New York 10019 or any other address provided by RJR Nabisco. Although a revocation is effective if delivered to RJR Nabisco, Brooke Group requests that either the original or photostatic copies of all revocations of consents be mailed or delivered to Brooke Group as set forth above, so that Brooke Group will be aware of all revocations and can more accurately determine if and when the requisite consents to the actions described herein have been received.

If the Proposals are adopted pursuant to the consent procedure, prompt notice must be given by RJR Nabisco pursuant to Section 228(d) of the DGCL to stockholders who have not executed consents. RJR Nabisco will promptly announce when the action by written consent has been

taken, thus enabling stockholders desiring to withdraw their consents to learn whether the action has become effective.

Consents Required

According to the 1995 Third Quarter 10-Q, there were 272,693,625 shares of Common Stock, 26,675,000 shares of PERCS and 15,082,650 shares of ESOP Preferred Stock outstanding at September 30, 1995. Each share of Common Stock entitles the Record Date holder to one vote on the Proposals. Each share of PERCS and ESOP Preferred Stock entitles the Record Date holder to one-fifth of a vote on the Proposals, voting together as a single class with the holders of Common Stock. Accordingly, based on the information in the 1995 Third Quarter 10-Q, written consents by holders representing approximately 140,522,578 shares of Common Stock, or shares of Common Stock and other RJR Nabisco Voting Securities aggregating 140,522,578 votes (not including abstentions and broker non-votes), will be required to adopt and approve each of the Proposals. Accordingly, each abstention and broker non-vote with respect to the Bylaw Amendment and/or the Spinoff Proposal will have the same effect as a vote against the adoption of such proposal.

Special Instructions

If you were a record holder as of the close of business on the Record Date, you may elect to consent to, withhold consent to or abstain with respect to each Proposal by marking the "CONSENTS", "DOES NOT CONSENT" or "ABSTAINS" box, as applicable, underneath each such Proposal on the accompanying BLUE consent card and signing, dating and returning it promptly in the enclosed postage-paid envelope.

IF THE STOCKHOLDER WHO HAS EXECUTED AND RETURNED THE CONSENT CARD HAS FAILED TO CHECK A BOX MARKED "CONSENTS", "DOES NOT CONSENT" OR "ABSTAINS" FOR EITHER OR BOTH OF THE PROPOSALS, SUCH STOCKHOLDER WILL BE DEEMED TO HAVE CONSENTED TO SUCH PROPOSAL OR PROPOSALS.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO EACH OF THE PROPOSALS. YOUR CONSENT IS IMPORTANT. PLEASE MARK, SIGN AND DATE THE ENCLOSED BLUE CONSENT CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE PROMPTLY. FAILURE TO RETURN YOUR CONSENT WILL HAVE THE SAME EFFECT AS VOTING AGAINST THE PROPOSALS.

If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can execute a consent with respect to your shares and only upon receipt of specific instructions from you. Accordingly, you should contact the person responsible for your account and give instructions for the BLUE consent card to be signed representing your shares. Brooke Group urges you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to Brooke Group in care of Georgeson at the address set forth above so that Brooke Group will be aware of all instructions given and can attempt to ensure that such instructions are followed.

BACKGROUND

The purpose of this Section is to provide information relating to certain events leading up to this solicitation, as of the most recent practicable date prior to the mailing of this Consent Statement.

On October 31, 1994, RJR Nabisco announced that it would undertake an initial public offering of approximately 19% of Nabisco and use the proceeds of the offering to repay bank debt. RJR Nabisco's announcement also stated that RJR Nabisco anticipated initiating a regular quarterly dividend of 37-1/2 cents per share of Common Stock (adjusted for the 1-for-5 reverse stock split completed by RJR Nabisco on April 12, 1995). RJR Nabisco also announced that, in connection with these developments, the Board had set limits on the dividend payout for the next four years and that an eventual spinoff of Nabisco to stockholders would not be considered for at least two years. In subsequent filings, RJR Nabisco disclosed that the Board had passed a resolution adopting a policy precluding a spinoff of Nabisco until 1997 at the earliest, and stating that a spinoff of Nabisco would not be permitted before 1999 if RJR Nabisco's debt ratings would fall below investment grade. The partial sale of Nabisco was consummated on January 26, 1995.

On March 11, 1995, it was announced that Nabisco, Inc. would exchange approximately $1.9 billion aggregate principal amount of debt securities issued by Nabisco, Inc. for approximately $1.9 billion aggregate principal amount of notes and debentures of RJRN. According to documents filed by Nabisco, Inc. and RJRN with the SEC with respect to the exchange offer, the purpose of these transactions was to permit Nabisco and Nabisco, Inc. to establish long-term borrowing capacity independent of RJRN and to reduce intercompany debt by approximately $4.0 billion. The exchange offer documents reiterated the Board's anti-spinoff policy. They also disclosed that the Board had adopted additional policies providing that until December 31, 1998, RJR Nabisco will limit the aggregate amount of cash dividends on its capital stock and will use the proceeds of any issuance and sale of equity of RJR Nabisco, any sale of tobacco assets outside the ordinary course of business and any sale by RJR Nabisco of its Nabisco stock to prepay debt or to acquire new properties, assets or businesses.

At the annual stockholders meeting on April 12, 1995, stockholders voted down a stockholder proposal to separate the tobacco from the non-tobacco businesses. In its arguments against the proposal, the Board stated in the proxy statement that as part of its initiative to have the market recognize the value of RJR Nabisco's stock, it had sold slightly less than 20% of Nabisco to the public, declared a 37-1/2 cent quarterly dividend, and adopted certain anti-dividend and anti-distribution policies.

On May 19, 1995, Bennett S. LeBow, the Chairman of the Board and Chief Executive Officer of Brooke Group, met with Charles M. Harper, the Chairman of the Board and then Chief Executive Officer of RJR Nabisco. In this meeting, Mr. LeBow recommended to Mr. Harper that RJR Nabisco spin off its remaining 80.5% equity interest in Nabisco. Mr. Harper informed Mr. LeBow that there were several issues which made it difficult for RJR Nabisco to effect a spinoff. At that time, Mr. LeBow proposed a business combination (described below) between Brooke Group's domestic tobacco subsidiary, Liggett Group Inc. ("Liggett"), and RJR Nabisco as a means of resolving Mr. Harper's issues. Mr. LeBow suggested that Liggett was uniquely positioned to assist RJR Nabisco in effecting a spinoff. Specifically, Mr. LeBow, addressing the RJR Nabisco Board's concern over personal liability, informed Mr. Harper that Brooke Group's management had confronted the issue of personal liability in connection with tobacco product liability

claims and in connection with spinoffs within the prior two years of non-tobacco operating subsidiaries, and had decided that the risk of such liability was negligible; that Brooke Group's management had previously concluded, based on its own experience at Liggett, that concurrent operation of a tobacco and a food business does not present advantages; that Brooke Group therefore believed that Liggett's record was such that a merger of Liggett and RJR Nabisco followed by a spinoff of RJR Nabisco's non-tobacco operations, to wit: Nabisco, would be consistent with Liggett's past actions and would not be for the purpose of placing assets beyond the reach of creditors; and that Liggett, as the smallest domestic cigarette manufacturer, would likely not cause major antitrust concerns to be raised in the context of a merger with RJR Nabisco. Mr. Harper expressed tentative interest in the spinoff concept, as so presented, and suggested that representatives of Brooke Group and RJR Nabisco meet to explore the spinoff in greater detail. Subsequently, on May 22, 1995 and May 24, 1995, representatives of Brooke Group met with representatives of RJR Nabisco to review particular aspects of the spinoff and the relationship between the spinoff and other aspects of RJR Nabisco's business strategy. The RJR Nabisco representatives indicated skepticism about whether the spinoff would increase stockholder value. They also expressed concerns about the possibility that the spinoff would be challenged as a fraudulent conveyance (although asserting that such a challenge would be without merit), and would be contrary to the policy previously adopted by the RJR Nabisco Board with respect to a spinoff (although acknowledging that the subject policy could be changed by the Board in response to changed circumstances, and could be changed by directors evaluating the policy for the first time). At these meetings, Brooke Group's representatives set forth Brooke Group's view that the risks, to the corporation and to the directors personally, attending a spinoff of Nabisco were negligible.

Brooke Group's representatives also stated that, in the event the incumbent directors of RJR Nabisco were unwilling to take action to spin off Nabisco as a result of these concerns, Brooke Group would be willing to engage in a transaction to effect the spinoff, pursuant to which (i) the tobacco interests of Liggett would be combined with RJR Nabisco's tobacco business, (ii) the incumbent RJR Nabisco directors would be replaced by nominees of Brooke Group and (iii) the Brooke Group nominees would vote to spin off Nabisco. As originally described by Mr. LeBow to Mr. Harper, this transaction would have required a refinancing of $3 billion of existing RJR Nabisco bank debt, and Mr. LeBow suggested that the Liggett interest should consist of 20% of the combined, post-spinoff tobacco company. Mr. Harper commented that such percentage was too large a participation, and was told by Mr. LeBow that this proposal was an initial one, was not fixed and was entirely negotiable. No other material terms were discussed at the meeting between Messrs. LeBow and Harper thereafter. During the meeting on May 24, 1995, Brooke Group's representatives explained that their plan would require RJR Nabisco to provide a stockholder list and access to books and records, as required by Delaware Law, and would require a special meeting of RJR Nabisco stockholders to approve the transactions.

RJR Nabisco's representatives responded that they perceived at least two obstacles to Brooke Group's proposal. First, they suggested that, based upon the small number of votes cast in favor of the stockholder proposal at the 1995 annual meeting, there was little stockholder interest in an immediate spinoff of Nabisco; according to RJR Nabisco's representatives, this would inhibit their discretion to invoke the corporate machinery or the provisions of Delaware Law to allow Brooke Group's plan to advance. Second, they suggested that Brooke Group, on its own, was not sufficiently credible as a merger partner. RJR Nabisco's representatives stated that these

deficiencies would, in their view, cause the incumbent RJR Nabisco directors to be named as defendants in a fraudulent conveyance action even if a slate of directors proposed by Brooke Group actually authorized and implemented the spinoff. RJR Nabisco's representatives did, however, indicate that they would be interested to hear from Brooke Group how it might propose to address these obstacles, and suggested that the parties might speak in several months, after RJR Nabisco had completed its debt exchange offer.

On June 5, 1995 the debt exchange offer was consummated. In connection with the exchange, Nabisco, Inc. and RJRN replaced their existing credit agreements with new credit facilities, Nabisco, Inc. used the proceeds of borrowing under its new credit facility to repay substantially all of its remaining intercompany debt to RJRN, and RJRN used the cash proceeds received from Nabisco, Inc., together with additional borrowings under its new credit agreement, to repay all outstanding borrowings under its old credit facilities.

Representatives of RJR Nabisco and Brooke Group next met on July 19, 1995. At this meeting, Brooke Group's representatives reiterated their belief that an immediate spinoff of Nabisco was in the best interests of RJR Nabisco's stockholders and should be implemented by the RJR Nabisco Board. Brooke Group's representatives also attempted to address the two concerns raised by RJR Nabisco's representatives on May 24, 1995. At the conclusion of this meeting, RJR Nabisco's representatives stated that they would continue to evaluate the spinoff matter and asked for additional information from Brooke Group concerning the economics of a possible merger with Liggett to implement the spinoff, which was provided shortly thereafter.

On August 11, 1995, New Valley Corporation, an affiliate of Brooke Group ("New Valley"), filed a notification and report form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR") with respect to the potential acquisition of up to 15% of the outstanding voting securities of RJR Nabisco. On the same date, as required by the HSR, New Valley notified RJR Nabisco of this filing.

Thereafter, representatives of RJR Nabisco contacted representatives of Brooke Group and requested another meeting for the purpose of reviewing in greater detail information concerning the value of Liggett. This meeting took place on August 22, 1995. At this meeting, which for the first time included financial advisors to RJR Nabisco, Brooke Group's representatives responded to questions raised by RJR Nabisco's representatives and expressed their view of Liggett's value. Brooke Group's representatives underscored Brooke Group's interest in effectuating a spinoff of Nabisco.

On August 21, 1995, without informing Brooke Group or the public, the Board amended the Bylaws to eliminate the stockholders' right to call a special meeting and to impose burdensome new requirements for stockholders who seek to act by written consent without a meeting. The new procedure in the Bylaws for stockholders to act by written consent requires any stockholder who seeks to act by written consent to notify the Secretary of RJR Nabisco and to request the Board to fix a record date. The Board then has 10 days to adopt a resolution fixing a record date (which may be up to 10 days from the date of such resolution). The new procedure also provides for the hiring of inspectors to perform a "ministerial review" of written consents received by RJR Nabisco before any action by written consent may become effective.

On August 29, 1995, the Federal Trade Commission notified Brooke Group and RJR Nabisco that the waiting period under the HSR Act with respect to Brooke Group's HSR notifica-

tion had been terminated. Later that day, RJR Nabisco issued a press release in which RJR Nabisco stated, among other things, that it had determined that Brooke Group's proposal was "neither viable nor in the best interests of RJR Nabisco's shareholders."

On September 7, 1995, The Wall Street Journal reported that, in response to inquiries regarding public speculation that Brooke Group might seek to call a special meeting of stockholders, a spokeswoman for RJR Nabisco had asserted that only the Chairman or the Board of Directors of RJR Nabisco had the right to call a special meeting. Following this report, a number of prominent stock market analysts speculated publicly that the Board had amended the Bylaws to eliminate the right of stockholders to call a special meeting. On September 20, 1995, Reuters reported that a spokeswoman for RJR Nabisco had confirmed this speculation. In this report, the spokeswoman was quoted as saying that RJR Nabisco had eliminated stockholders' right to call a meeting in order to "make [the Bylaws] more consistent with other companies." She declined to comment on when this amendment had been made, nor did RJR Nabisco disclose that the Board had also amended the Bylaws to add the new written consent procedure.

On October 17, 1995, Brooke Group and its wholly-owned subsidiary BGLS entered into an agreement with High River, an entity owned by Carl C. Icahn. New Valley and ALKI Corp., a subsidiary of New Valley ("ALKI"), also entered into a separate agreement with High River at that time. Pursuant to each of these agreements, the parties agreed to take certain actions designed to cause RJR Nabisco to effectuate a spinoff of Nabisco at the earliest possible date. These actions are discussed in detail below, see "Certain Information Concerning Brooke Group."

On October 30, 1995, Bennett S. LeBow, the Chairman of the Board, President and Chief Executive Officer of Brooke Group, sent the following letter to each of the members of the RJR Nabisco Board:

> We at Brooke Group Ltd. believe that it's time to spin off Nabisco. We believe that the market value of RJR Nabisco can be increased by as much as 50% as a result of a spinoff. The immediate and significant increase in value that can be obtained for the Company's stockholders is recognized by most knowledgeable investors.
>
> Earlier this year, however, the Board vigorously opposed a resolution proposed at the annual meeting by two stockholders that would have recommended that management take steps to separate the tobacco and non-tobacco businesses. The Board's stated reasons for opposing this initiative were its prediction that the Company's stock would be boosted by the 1994 partial sale of Nabisco and by the Company beginning to pay a quarterly dividend of 37-1/2 cents. Notably, the Board expressed its desire not to be constrained by any specific program or timetable, putting off action into the vague future. Since the Board's defeat of this small group of stockholders, the Board has touted its victory as a sign that stockholders do not want a spinoff. What the Board now ignores is that its predictions about the benefits to our stock price were totally wrong.
>
> Last year's sale of less that 20% of Nabisco has done nothing to improve RJR Nabisco's stock price. The real beneficiaries were the banks and bondholders. In order to maintain debt ratings at the time of the sale, the Board adopted an anti-spinoff policy, declaring that they would not allow a spinoff of Nabisco until 1997 at the earliest, and that even then they would not allow a spinoff before 1999 if RJR Nabisco's debt ratings

would fall below investment grade. While the banks and other creditors benefit from this policy, it is harming the stockholders.

The Company's stock price has continued to suffer, as you well know. Rather than addressing its problems forthrightly through a complete separation of the tobacco and food businesses, the Company has resorted repeatedly to half-measures and quick fixes. Recently, the Board put John Greeniaus, the head of Nabisco, in charge of its faltering tobacco business. At that time, RJR Nabisco's spokeswoman admitted: "It's clear that we need to strengthen our share performance. . . . That's one reason why the marketing expertise of John Greeniaus could bring some additional talent to that operation." When it was pointed out to her that this change would be short-term if there was a spinoff, she commented: "There's nothing temporary about this. We have no plans to split this company."

In moving John Greeniaus to cover both tobacco and foods, the Board is diluting his attention and impact, and impractically trying to meld unrelated businesses rather than sensibly split them. It is worth noting that Nabisco's current earnings have slipped below expectations.* Most recently, the Company announced that it expects poor performance for the rest of 1995 and through 1996.

In the face of mounting evidence that its strategy has failed, the Board apparently is no longer willing to let stockholders' voices be heard. Soon after we presented the management with our spinoff proposal, the Board acted secretly to eliminate the right of stockholders to call a special meeting. When first asked by the press about the right to call a special meeting the Company's spokeswoman maintained that "only the Chairman or the board of directors can call a special meeting." This was ill-advised lack of candor. When the secret action to cut out stockholder rights came to light, the Company's spokeswoman then attempted to justify it by claiming that the Board "changed the bylaws to make them more consistent with other companies." This flimsy pretext cannot disguise the true nature of the Board's grab for power -- which deprives stockholders of a right that RJR Nabisco's bondholders continue to hold -- the right to convene a special meeting at which they can express their views to management.

We and our affiliates hold a major position in RJR Nabisco stock. We have entered into a binding agreement with Carl Icahn, who has agreed to support our efforts. Together, we currently hold approximately 13 million RJR Nabisco shares, making us the Company's second largest stockholder, based on publicly available information. Other dissatisfied stockholders have indicated publicly that they are interested in a spinoff.

We are today requesting a stockholders' list. In the next few days we will be filing materials with the Securities and Exchange Commission for a solicitation of stockholders. We will be soon asking them to adopt a resolution advising the Board to

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* The New York Times reported on October 24, 1995 that Nabisco's net income fell 20% in the third quarter of 1995 from the third quarter of 1994. Nabisco stated that earnings per share fell to $.20 from $.28 in the third quarter of 1994. It was further reported that, according to the average estimate of 8 analysts surveyed by Zacks Investment Research, "Wall Street had been expecting profits from operations of 29 cents." Mr. Greeniaus, Nabisco's Chief Executive Officer was quoted as saying, "Our third-quarter results are disappointing to us." This footnote did not appear in Mr. LeBow's letter.

spin off Nabisco. We will also be asking them to vote to roll back the change in the Company's by-laws to once again allow stockholders to be able to call special meetings. We believe, as you must have when you changed the Company's by-laws, that 25% or more of the outstanding shares would have acted to call a special meeting, as permitted under the old by-laws, to express their interest in a spinoff. In our impending solicitation, we believe that other dissatisfied stockholders will join that nucleus.

There have been numerous reports by analysts and in the press which indicate that the Board members' misguided fears of personal liability are preventing the Board from entertaining and effectuating a spinoff. Recent events have lent credence to these reports.

We believe that any actions the Board may take which would, directly or indirectly, make it more difficult to effect a spinoff would be contrary to the Board's fiduciary obligations to the stockholders, reflecting the Board's effort, at the expense of the stockholders, to avoid a risk of personal liability which we believe to be negligible. Should the Board undertake any such actions, we will hold the directors personally accountable and will strive, among other things, to assure that such self-interested conduct is not indemnified by the Company or otherwise underwritten by the stockholders.

As we indicated above, after our last meeting with you, the Board acted in secret, behind the backs of the stockholders, to restrict the ability of stockholders to take action at a special meeting, and then the management attempted to mislead the press. Given the spotlight of public scrutiny now upon you, we doubt that you would give serious thought to any further such actions without notice to and approval of the stockholders. Rest assured that we will react vigorously to prevent or nullify any Board action which in our view makes more difficult the free exercise of stockholder choice to spin off Nabisco.

We believe that it is time to spin off Nabisco, and that the stockholders are entitled to the benefits of a spinoff now. We will be proposing a slate of Directors for the annual meeting next year to facilitate implementation of a spinoff resolution -- if the Board does not follow the stockholders' advice. The Company's by-laws require us to propose a slate by November 20, 1995, and we will be doing so to avoid losing any rights. However, if the Company unequivocally commits to effect a spinoff immediately, we will happily terminate our solicitation of stockholders.

On October 31, 1995, Liggett caused its nominee, Cede & Co., to deliver to RJR Nabisco a demand for a stockholder list and certain other information. Later that day, Mr. LeBow received a letter from Charles M. Harper, the Chairman of the Board of RJR Nabisco, reading in full as follows:

The RJR Nabisco board of directors has met to consider your October 30 letter demanding an immediate separation of our food and tobacco businesses. The board rejects your demand and your characterization of its position. As you know, the board has been and continues to be fully committed to a spin-off of Nabisco Holdings Corp. The board will accomplish a spin-off just as soon as it is able to determine that the

spin-off is in the best interests of all the shareholders and consistent with the corporation's commitments.

There is absolutely no need for a shareholder referendum on the spin-off question. Based on discussions with shareholders, we know that a majority are in favor of a spin-off just as soon as it can be reasonably accomplished. In short, they agree with the board's position on this matter.

The board has considered several significant transactions in the past few years that would have resulted in a spin-off of Nabisco Holdings. However, before being able to proceed, serious issues arose that forced the corporation to not go forward. In order for a spin-off to be in the best interests of the shareholders, it must meet three conditions:

- It must be tax-free;
- It must be accomplished in a manner that avoids long litigation delays and the resulting uncertainty that would erode shareholder value; and
- It must preserve the financial integrity of both the food and tobacco businesses.

The board has periodically reviewed the spin-off issue and has consulted with independent financial, tax and legal advisors and, to repeat a point that needs no repeating, the board continues to be in favor of a spin-off. Again, the board has authorized me to inform you and all the shareholders that the corporation will spin-off Nabisco Holdings as soon as the spin-off can be completed in a manner that the board determines is in the best interests of the shareholders and is consistent with the corporation's commitments.

Your threatened consent solicitation would, if carried out, endanger this company's ability to successfully effect a spin-off at what would be the right time. The more your actions focus attention on the non-business-related aspects of such a transaction and the more your actions ignore the current litigative situation, the greater the likelihood that a development will arise to jeopardize the possibility of ever completing a spin-off. That's not in the shareholders' interest.

Apart from an unnecessary referendum on the spin-off, you are, of course, free to solicit proxies to elect a new board of directors at the annual meeting of shareholders. We do not believe the shareholders will support you and turn over to you control of their $9 billion investment. Your proposal ignores the current dangers a spin-off presents for all shareholders and fails to recognize the binding financial commitments the company has made in the past. We do not believe our shareholders will support your express intention to cause the corporation to violate its commitments to the holders of our securities.

Our intention has been and continues to be to effect a separation of our food and tobacco businesses. Given that both the litigative and policy environments are currently at their most uncertain points in the company's history, pursuing a consent solicitation to attempt to force a separation of the businesses now is not only imprudent, it is irresponsible.

Also on October 31, 1995, RJR Nabisco filed the 1995 Third Quarter 10-Q, which included a copy of its then current By-Laws as an exhibit. This filing was the first time that RJR Nabisco had

made its then current By-Laws publicly available since the Board's August 21, 1995 amendments were made. The filing also disclosed for the first time the addition of the burdensome new written consent procedure.

On November 7, 1995, Mr. Harper sent a letter to the stockholders of RJR Nabisco. The Board of Directors of RJR Nabisco filed with the SEC its Revocation of Consent Statement in connection with the Board's opposition to the solicitation by Brooke Group on November 9, 1995. On November 14, 1995, Mr. LeBow sent a letter to the stockholders of RJR Nabisco. On November 20, 1995, Brooke Group, acting to preserve its right to nominate a slate of directors at RJR Nabisco's 1996 annual stockholders' meeting in the event RJR Nabisco does not irrevocably commit to effectuate an immediate spinoff of Nabisco, submitted to RJR Nabisco information with respect to nominees committed to an immediate spinoff of Nabisco. Also, on November 20, 1995, RJR Nabisco filed a lawsuit in U.S. District Court for the Middle District of North Carolina, naming Brooke Group and Messrs. LeBow and Icahn as defendants. On November 20, 1995, Brooke Group filed an action in the United States District Court of the Southern District of Florida, naming RJR Nabisco and its tobacco subsidiary R.J. Reynolds Tobacco Company("RJ Reynolds") as defendants. See "Certain Litigation" below.

On December 5, 1995, RJR Nabisco again filed its amended and restated By-Laws in its Current Report on Form 8-K, dated December 5, 1995. The filing did not disclose any additional By-Law amendments to which Brooke Group currently objects. On December 11, 1995 and December 21, 1995, Mr. LeBow sent letters to stockholders of RJR Nabisco. On December 19, 1995, Mr. Goldstone sent a letter to the stockholders of RJR Nabisco.

CERTAIN LITIGATION

On November 20, 1995, RJR Nabisco filed an action against Brooke Group, Mr. LeBow and Mr. Icahn in the United States District Court for the Middle District of North Carolina. In that action, RJR Nabisco alleges that Brooke Group, LeBow and Icahn violated sections 14(a) and 10(b) of the Securities Exchange Act of 1934, as amended, and Rules 14a-9 and 10b-5 promulgated thereunder, by allegedly making materially false or incomplete statements concerning the purpose and background of "their" consent solicitation. RJR Nabisco seeks temporary and permanent injunctions barring Brooke Group, LeBow and Icahn from proceeding with the consent solicitation until such time as they remedy the alleged disclosure obligation violations. RJR Nabisco is alleging that Brooke Group, LeBow and Icahn secretly attempted to form a group of investors to purchase a 21% interest in RJR Nabisco on the open market, with the ultimate goal of combining the tobacco businesses of RJR Nabisco and Brooke Group. According to the complaint, the principal purpose for such a combination is to eliminate certain alleged actual or potential issues with which Brooke and/or New Valley may be confronted under the Investment Company Act of 1940. Mr. LeBow is alleged to have met with persons involved in the international tobacco business in furtherance of this claimed secret plan. Brooke Group and Mr.LeBow filed a motion to dismiss or transfer the North Carolina action on December 13, 1995. On December 20, 1995, Brooke Group, Mr. LeBow, and Mr. Icahn filed answers to the Complaint, and Brooke Group and Mr. LeBow filed a counterclaim to this action. All defendants denied RJR Nabisco's allegations, and Brooke Group and Mr. LeBow alleged in their counterclaim that RJR Nabisco violated Section 14(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder, by making false and misleading statements in, and by omitting material information from, communications and disclosures to stockholders in opposition to Brooke Group's proposed consent soli-

citation. The relief sought includes RJR Nabisco and its affiliates being preliminarily and permanently enjoined from soliciting stockholders either to grant revocations of consent or to withhold consents from Brooke Group.

RJR Nabisco's allegations directly contradict the repeated public statements made by Mr. LeBow that the sole purpose of this solicitation is to ask the stockholders of RJR Nabisco to inform RJR Nabisco's Board that they desire an immediate spinoff of Nabisco. As Mr. LeBow has repeatedly stated, and as we are reaffirming in this Consent Statement, we will abandon this solicitation if the current RJR Nabisco Board of Directors unequivocally commits to effectuate an immediate spinoff and allow stockholders to realize the true value of their investment.

Simultaneously with its submission to RJR Nabisco of the names of nominees, Brooke Group filed an action against RJR Nabisco and RJ Reynolds in the United States District Court of the Southern District of Florida. In the action, Brooke Group is seeking a declaratory judgment that the nominees are not barred from serving as directors of RJR Nabisco under the terms of Section 8 of the Clayton Act, 15 U.S.C. ss. 19 (the "Clayton Act"). Brooke Group brought the action because it anticipated that RJR Nabisco would commence litigation under the Clayton Act in an attempt to interfere with Brooke Group's right to nominate and/or elect a slate of directors committed to an immediate spinoff of Nabisco. Brooke Group believes that any such potential litigation would be meritless. In response to Brooke Group's action for declaratory judgment, RJ Reynolds and RJR Nabisco filed a motion to dismiss. Brooke Group filed a memorandum of law in opposition to such motion on December 27, 1995.

CERTAIN INFORMATION CONCERNING BROOKE GROUP

Brooke Group is principally engaged, through its ownership of Liggett, in the manufacture and sale of cigarettes and, through its affiliate, New Valley, in the acquisition of operating companies. Brooke Group also has investments in a number of additional companies engaged in a diverse group of businesses. The principal executive offices of Brooke Group are located at 100 S.E. Second Street, Miami, Florida 33131.

Brooke Group beneficially owns, directly, 200 shares of Common Stock. Brooke Group beneficially owns 100% of the outstanding capital stock of BGLS, which beneficially owns 100% of the outstanding capital stock of Liggett. Liggett beneficially owns, directly, 200 shares of Common Stock and beneficially owns, directly, 1,000 shares of Class A Common Stock, par value $.01 per share, of Nabisco. In addition, BGLS directly and indirectly owns 618,326 Class A Senior Preferred Shares (approximately 56% of such class), 250,885 Class B Preferred Shares (approximately 9% of such class) and 79,794,229 Common Shares, (approximately 42% of such class), of New Valley, which beneficially owns all of the outstanding capital stock of ALKI which beneficially owns, directly, 4,892,550 shares of Common Stock, or approximately 1.8% of the outstanding Common Stock. Bennett S. LeBow, who is the Chairman of the Board, President and Chief Executive Officer of Brooke Group and of BGLS, may be deemed to be the beneficial owner of 10,521,208 shares of common stock of Brooke Group, or approximately 56.8% of Brooke Group's outstanding common stock, and thus may be deemed to control Brooke Group. The disclosure of this information shall not be construed as an admission that Mr. Lebow is the beneficial owner of any of the Common Stock owned by Brooke Group, BGLS, New Valley, ALKI and/or Liggett either for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, or for any other purpose, and such beneficial ownership is expressly disclaimed.

Likewise, Brooke Group beneficially owns 200 shares of Common Stock directly, and may be deemed to beneficially own, indirectly, the 4,892,550 shares of Common Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that Brooke Group is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

For the same reasons, BGLS may be deemed to beneficially own, indirectly, the 4,892,550 shares of Common Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that BGLS is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

For information concerning the directors and executive officers of Brooke Group, see Annex B. For information about the number of RJR Nabisco Voting Securities beneficially owned by certain principal stockholders and members of RJR Nabisco's management, see Annex C.

On October 17, 1995, Brooke Group and BGLS entered into the High River Agreement with High River, an entity owned by Carl C. Icahn. High River beneficially owns 8,013,000 shares of Common Stock. High River agreed in the High River Agreement to grant a written consent to the Proposals with respect to all shares of Common Stock held by it, and to grant a proxy with respect to all such shares in the event that Brooke Group or BGLS seeks to replace the incumbent Board of Directors of RJR Nabisco at the 1996 annual meeting of stockholders with a slate of directors committed to effect the spinoff. Brooke Group and BGLS agreed in the High River Agreement to include, in any solicitation statement relating to any solicitation of (i) stockholder demands to call a special meeting, (ii) written consents or (iii) proxies, in respect of a proposal to elect an opposing slate of directors, a pledge to the effect that Brooke Group, BGLS and their affiliates (the "BGL Group") (A) will not engage in certain mergers, material sales of stock or assets or other transactions (including a sale of Liggett or shares of Common Stock to RJR Nabisco) providing a material benefit to the BGL Group not available to other stockholders of RJR Nabisco (each, a "Business Combination"), other than a Business Combination consummated simultaneously with or subsequent to a spinoff of RJR Nabisco's remaining equity interest in Nabisco or another transaction providing substantially equivalent value to stockholders ("Permitted Business Combination") (I) prior to the 1996 annual meeting of RJR Nabisco stockholders, or earlier if the BGL Group is unsuccessful in (a) a solicitation of stockholder demands to call a special meeting, (b) a solicitation of consents or proxies to approve certain proposals or (c) having its nominees elected to constitute a majority of RJR Nabisco's directors, or (II) during such time as nominees of the BGL Group constitute a majority of the directors of RJR Nabisco; (B) prior to the consummation of a spinoff of Nabisco, will not exercise management control over Nabisco or Nabisco, Inc. or become involved in the ordinary course of its business and will use its best efforts to ensure that a majority of the present directors of Nabisco and Nabisco, Inc. remain as directors; and (C) will halt any solicitation of stockholders demands, consents or proxies if the RJR Nabisco Board effects a spinoff of Nabisco or a substantially equivalent transaction. Similarly, High River agreed not to engage in or propose any Business Combination prior to the earliest of (x) the later of the 1997 annual meeting of stockholders of RJR Nabisco and the first anniversary of the termination of the High River Agreement (the "Reference Date"), (y) any termination of the High River Agreement that occurs at or after certain termination events relating to failures or an inability to

effect the transactions contemplated by the High River Agreement ("Termination Events") and (z) any termination of the High River Agreement by Brooke Group or BGLS, or the New Valley Agreement (as defined below) by New Valley or ALKI, at a time when High River is not in material breach of its obligations.

The High River Agreement will automatically terminate on October 17, 1996 or upon the earlier termination of the New Valley Agreement (as defined below) by High River. In addition, any party to the High River Agreement may terminate it at any time, although the terminating party will be required to pay a fee of $50 million to the nonterminating party if no Termination Event has occurred and the nonterminating party is not in material breach of its obligations. The High River Agreement also provides that any party may terminate the High River Agreement and be entitled to receive a fee of $50 million from the nonterminating party if the nonterminating party is in material breach of its obligations and no Termination Event has occurred. The High River Agreement further provides that BGLS will be required to pay a $50 million fee to High River upon the consummation of a Business Combination (including a Permitted Business Combination) between the BGL Group and RJR Nabisco if (x) such Business Combination is consummated prior to the Reference Date, (y) a legally binding agreement to enter into a Business Combination is entered into prior to the Reference Date and such Business Combination is consummated prior to the second anniversary of the date of such agreement or (z) nominees of BGL are elected to constitute a majority of the directors of RJR Nabisco prior to the Reference Date and a Business Combination is consummated prior to the fifth anniversary of the date of such election. Finally, the High River Agreement provides that High River will be entitled to a payment equal to 20% of the net profit with respect to Common Stock held or sold by New Valley, ALKI or the BGL Group, after deduction of certain expenses, including the costs of this solicitation and certain proxy solicitations by the BGL Group and the costs of acquiring the shares of the Common Stock (all of which expenses will be borne by New Valley, ALKI or the BGL Group). Notwithstanding any such termination, the obligations of the BGL Group and of High River not to engage in a Business Combination with RJR Nabisco or the other activities described above will continue for the periods described above.

Also on October 17, 1995, New Valley and ALKI Inc., a subsidiary of New Valley ("ALKI"), entered into a separate agreement with High River, as amended (the "New Valley Agreement"). Pursuant to the New Valley Agreement, New Valley sold 1,611,550 shares of Common Stock to High River for an aggregate purchase price of $51,000,755, thereby approximately equalizing the number of shares of Common Stock and total investment therein by the parties. In addition, the parties agreed that each of New Valley and ALKI, on the one hand, and High River and its affiliates, on the other hand, would invest up to approximately $150 million in shares of Common Stock, and may invest up to approximately $250 million in shares of Common Stock in order to maximize profits. The obligations of the parties to make any investments is subject to their ability to obtain and maintain margin loans (using the shares of Common Stock purchased by them as collateral) to fund the purchases, and to certain provisions of the New Valley Agreement which do not require any party to purchase shares of Common Stock to the extent the purchase price would exceed certain hurdles ($35.50 per share in respect of the first $150 million in investments by each party, and $31.00 per share in respect of the next $100 million in investments). New Valley and ALKI also agreed in the New Valley Agreement to grant a stockholder demand, written consent or proxy with respect to all shares of Common Stock held by them in the event that Brooke Group or BGLS seeks to call a special meeting of stockholders, obtain the approval of any

of the Proposals or replace the incumbent Board of Directors of RJR Nabisco at the 1996 annual meeting of stockholders. The New Valley Agreement automatically terminates at the same time, and is subject to earlier termination by the parties under the same circumstances as the High River Agreement. The parties to the New Valley Agreement are required to pay fees in the same amounts and generally under the same circumstances as described above under the High River Agreement, although the fees payable to a party under the High River Agreement generally will be offset by fees paid to such party under the New Valley Agreement, and fees payable to a party under the New Valley Agreement generally will be offset by fees paid to such party under the High River Agreement.

NO MATTER HOW MANY SHARES YOU OWN, YOUR CONSENT TO THE PROPOSALS IS VERY IMPORTANT. PLEASE HELP US TO MAXIMIZE STOCKHOLDER VALUE BY COMPLETING, SIGNING AND DATING THE ENCLOSED CONSENT AND RETURNING IT PROMPTLY IN THE ENCLOSED ENVELOPE. NO POSTAGE IS NECESSARY IF THE ENVELOPE IS MAILED IN THE UNITED STATES.

Sincerely,

BROOKE GROUP LTD.

December 29, 1995

ANNEX A

BYLAW PROVISION GOVERNING WRITTEN CONSENT PROCEDURE

Brooke Group proposes to eliminate Article I, Section 9 of the Bylaws which currently reads as follows:

"Section 9. Record Date for Action by Written Consent; Inspectors and Effectiveness.

(a) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded, to the attention of the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(b) In the event of the delivery, in the manner provided by Section 9(a), to the Corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with Section 9(a) represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(c) Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated written consent delivered in accordance with Section 9(a), a written consent or consents signed by a sufficient number of stockholders to take such action are delivered to the Corporation in the manner prescribed in Section 9(a)."

ANNEX B

INFORMATION CONCERNING THE DIRECTORS
AND EXECUTIVE OFFICERS OF BROOKE GROUP AND ADDITIONAL INFORMATION

The following table sets forth the name and the present principal occupation or employment of the directors and executive officers of Brooke Group and the name, principal business and address of any corporation or other organization in which such employment is carried on. Unless otherwise indicated, the principal business address of each director or executive officer is 100 S.E. Second Street, Miami, Florida 33131.

Name and Principal Business Address	Principal Office or Other Principal Occupation or Employment
Bennett S. LeBow	Chairman of the Board, President and Chief Executive Officer of Brooke Group. Chairman of the Board, President and Chief Executive Officer of BGLS. Member of the Board of Directors of Liggett. Chairman of the Board and Chief Executive Officer of New Valley. Chairman of the Board, President and Chief Executive Officer of ALKI Corp.
Gerald E. Sauter	Vice President, Chief Financial Officer and Treasurer of Brooke Group. Vice President, Chief Financial Officer and Treasurer of BGLS. Vice President, Chief Financial Officer and Treasurer and member of the Board of Directors of New Valley. Vice President, Chief Financial Officer and Treasurer of ALKI Corp.
Robert J. Eide ..... 70 E. Sunrise Hwy. Valley Stream, NY 11581	Director of Brooke Group. Director of BGLS. Secretary and Treasurer of Aegis Capital Corp., a registered broker-dealer.
Jeffrey S. Podell ..... 26 Jefferson St. Passaic, NJ 07055	Director of Brooke Group. Director of BGLS. Chairman of the Board and President of Newsote, Inc., the Passaic, NJ parent of Pantasote, Inc., a former manufacturer of plastic products.

The persons listed in the above table may be deemed to be "participants" in the solicitation. Additionally, the following persons may also be deemed to be participants in the solicitation: Brooke Group, BGLS, Liggett, New Valley, Andrew E. Balog, Marc N. Bell, Karen Eisenbud, J. Bryant Kirkland, III, Richard J. Lampen, Howard M. Lorber, Robert M. Lundgren, High River and Carl C. Icahn. Information on the beneficial ownership of RJR Nabisco stock by Brooke Group, BGLS, Liggett, New Valley and Mr. LeBow is set forth in the Consent Statement under the section entitled "Certain Information Concerning Brooke Group." Mr. Lampen beneficially owns 2,000 shares of Common Stock. High River beneficially owns directly 8,013,000 shares of Common Stock, and therefore, Mr. Icahn may be deemed to beneficially own, indirectly, such 8,013,000 shares of Common Stock. To the best of Brooke Group's knowledge, except as otherwise provided herein, none of the persons listed in this Annex B owns any shares of RJR Nabisco Voting Securities.

ANNEX C
PRINCIPAL STOCKHOLDERS AND STOCK HOLDINGS
OF RJR NABISCO'S MANAGEMENT

Security Ownership of Directors and Executive Officers

The following table (including the footnotes thereto) sets forth certain information, as of December 11, 1995, the date RJR Nabisco filed its revised preliminary revocation of consent statement ("Preliminary Revocation Statement") with the SEC, regarding the beneficial ownership of (i) Common Stock and (ii) Class A Common Stock, par value .01 per share, of Nabisco, by each director of RJR Nabisco, by each of the five most highly compensated executive officers of RJR Nabisco during the fiscal year,** and each associate of any such director or officer and by all directors and executive officers of RJR Nabisco as a group. Nabisco was a wholly-owned indirect subsidiary of RJR Nabisco prior to the January 1995 initial public offering by Nabisco of its Class A Common Stock. As of December 11, 1995, RJR Nabisco indirectly owned all 213,250,000 shares of Nabisco Class B Common Stock outstanding, which represents approximately 80.5% of the economic interest in Nabisco and approximately 97.6% of the combined voting power of all classes of Nabisco voting stock. Except as otherwise noted, the persons named in the table do not own any other capital stock of RJR Nabisco or Nabisco and have sole voting and investment power with respect to all shares shown as beneficially owned by them. All of the foregoing information and the information set forth in the table below (including the footnotes thereto) have been taken from RJR Nabisco's Preliminary Revocation Statement.

Name of Beneficial Owner	Number of Shares of RJR Nabisco Common Stock Beneficially Owned(1)	Percent of RJR Nabisco Common Stock	Number of Shares of Nabisco Class A Common Stock Beneficially Owned(1)(3)	Percent of Nabisco Class A Common Stock
John T. Chain, Jr. (2).....	8,393	*	1,000	*
Julius L. Chambers (2).....	6,393	*	0	*
John L. Clendenin (2).....	6,846	*	500	*
Steven F. Goldstone.....	16,529	*	0	*
H. John Greeniaus (2).....	126,308	*	10,100	*
Ray J. Groves (2).....	7,000	*	0	*
Charles M. Harper (2).....	524,882	0.1920	71,429	0.1380
James W. Johnston (2)(5).....	114,381	*	1,000	*
John G. Medlin, Jr. (2).....	7,259	*	1,000	*
Roxanne L. Ridgway (2).....	6,393	*	0	*
Andrew J. Schindler (2).....	28,891	*	0	*
All Directors and Officers as a Group (2)(4).....	1,351,824	0.4943%	91,229	0.1763%

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* Less than 0.1%

** Item 5(a) of Schedule 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that RJR Nabisco disclose the securities ownership of its directors and executive officers as of the beginning of the last fiscal year. Item 6(d) of Schedule 14A and Items 403(b) and 402(a)(3) of Regulation S-K of the Exchange Act require that RJR Nabisco disclose the securities ownership of its five most highly compensated executives as of the end of the last fiscal year. Item 402(a)(3)(iii) also requires that RJR Nabisco update such disclosures with the securities ownership of two more executives who are currently among RJR Nabisco's five most highly compensated

executives, but did not fall within the group of RJR Nabisco's five most highly compensated executives at the end of the last fiscal year. Because several directors and executive officers of RJR Nabisco have resigned since the end of the last fiscal year, and in order to make the following table easier to read, RJR Nabisco included only the beneficial ownership of the current directors and executive officers in such table. RJR Nabisco has disclosed that it has complied with its obligations under the Exchange Act by disclosing in the footnotes to this table the beneficial ownership of the Common Stock by the directors and executive officers who served in such capacities at the beginning and the end, respectively, of the last fiscal year but no longer serve in such capacities.

(1) For purposes of this table, a person or group of persons is deemed to be the "beneficial owner" of any shares that such person has the right to acquire within 60 days. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security that such person or persons has the right to acquire within 60 days is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) The number of shares of Common Stock beneficially owned includes (i) 6,393 shares subject to currently exercisable options granted to each of Gen. Chain, Messrs. Chambers and Clendenin and Ms. Ridgway; 6,000 shares and 393 shares respectively subject to currently exercisable options granted to each of Messrs. Groves and Medlin; 462,500 and 741,664 shares subject to currently exercisable options granted to Mr. Harper and all directors and executive officers as a group, respectively; and (ii) 272, 160, 274, 271 and 2,466 shares of Common Stock currently issuable on conversion of shares of ESOP Preferred Stock owned by, respectively, Messrs. Greeniaus, Harper, Johnston, Schindler and all directors and executive officers as a group.

(3) No director or officer of RJR Nabisco holds any options exercisable within 60 days to acquire shares of Nabisco Class A Common Stock.

(4) On March 14, 1995, Kohlberg Kravis Roberts & Co. LLP ("KKR") sold all of its then remaining holdings in RJR Nabisco. James H. Greene, Jr., Henry R. Kravis, Paul E. Raether, Clifton S. Robbins, George R. Roberts, Scott M. Stuart, and Michael T. Tokarz previously served on the Board as representatives of KKR. Messrs. Greene, Kravis, Raether, Robbins, Roberts, Stuart and Tokarz (the "KKR Directors") did not run for reelection at RJR Nabisco's Annual Meeting of Stockholders held on April 12, 1995. Their respective terms in office expired effective as of that date. RJR Nabisco has disclosed that it cannot independently verify the exact nature of their current holdings in RJR Nabisco because they are no longer subject to the disclosure requirements of Section 16(a) of the Exchange Act, discussed below. However, their last Section 16(a) filings with the Securities and Exchange Commission (the "SEC") dated as of April 7, 1995 indicate that, as of that date, none of the KKR Directors had any beneficial ownership in the capital stock of RJR Nabisco.

(5) The outstanding shares of Common Stock shown as beneficially owned by Mr. Johnston include 12,000 shares held in trust for the benefit of Mr. Johnston's children, as to which Mr. Johnston disclaims beneficial ownership.

(6) Lawrence R. Ricciardi retired as both an executive officer and a director of RJR Nabisco effective March 3, 1995. Mr. Ricciardi is no longer subject to the disclosure requirements of Section 16(a) of the Exchange Act. Therefore, RJR Nabisco has disclosed that it cannot

independently verify Mr. Ricciardi's current stock ownership. As of September 3, 1995, Mr. Ricciardi beneficially owned 407,845 shares of Common Stock of RJR Nabisco.

(7) Eugene R. Croisant retired as an executive officer of RJR Nabisco effective March 3, 1995. Mr. Croisant is no longer subject to the disclosure requirements of Section 16(a) of the Exchange Act. Therefore, RJR Nabisco has disclosed that it cannot independently verify Mr. Croisant's current stock ownership. As of September 3, 1995, Mr. Croisant beneficially owned 324,597 shares of Common Stock of RJR Nabisco.

Security Ownership of Certain Beneficial Owners

The following table (including the footnotes thereto) sets forth certain information, as of December 11, 1995, regarding the beneficial ownership of persons known to RJR Nabisco to be the beneficial owners of more than five percent of any class of RJR Nabisco Voting Securities. The information set forth in the table below (including the footnotes thereto) have been taken from RJR Nabisco's Preliminary Revocation Statement. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Title of Class	Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Common Stock	FMR Corp.(1)..... 82 Devonshire Street Boston, MA 02109	35,305,862	12.58%
Series C Conversion Preferred Stock	College Retirement Equities Fund(2)..... 730 Third Avenue New York, NY 10017	1,782,680	6.68%
Series C Conversion Preferred Stock	Brinson Partners, Inc.(3)..... 209 South LaSalle Chicago, IL 60604-1295	1,745,310	6.54%
Series C Conversion Preferred Stock	The Prudential Insurance Company of America(4)..... Prudential Plaza Newark, NJ 07102-3777	1,680,205	6.30%
ESOP Convertible Preferred Stock	Wachovia Bank of North Carolina, N.A.(5)..... Box 3075, Trust Operations Winston-Salem, NC 27102	15,187,141	100.00%
Nabisco Class A Common Stock	Janus Capital Corporation(6)..... 100 Fillmore Street, Suite 300 Denver, CO 80206-4923	4,472,875	9.90%
Nabisco Class A Common Stock	Tiger Management Corporation(7)..... 101 Park Avenue New York, NY 10178	9,145,300	17.7%

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(1) According to Amendment No. 1 to Schedule 13G dated February 13, 1995 jointly filed by FMR Corp. and Edward C. Johnson 3d, Chairman of FMR Corp. and a member of a controlling group with respect to FMR Corp., the 34,305,862 shares of Common Stock shown as beneficially owned by FMR Corp. and Mr. Johnson as of December 31, 1994

include (i) 32,551,043 shares beneficially owned by Fidelity Management & Research Company, a registered investment adviser and wholly owned subsidiary of FMR Corp., as a result of acting as investment adviser to several registered investment companies that own such shares (the "Fidelity Funds"), (ii) 2,712,180 shares beneficially owned by Fidelity Management Trust Company ("Fidelity Trust"), a bank and wholly owned subsidiary of FMR Corp., as a result of serving as investment manager of institutional accounts, (iii) 10,400 shares owned directly by Mr. Johnson or in trusts for the benefit of Mr. Johnson or a member of his family and (iv) 65,400 shares beneficially owned by Fidelity International Limited ("Fidelity International"), an investment advisor of which Mr. Johnson is also Chairman and a member of a controlling group, but which is managed independently from FMR Corp. Each of FMR Corp. and Fidelity International disclaim beneficial ownership of shares beneficially owned by the other. According to the Schedule 13G, FMR Corp. and Mr. Johnson also beneficially own 5,165,800 shares of Series C Preferred Stock as a result of (i) the Fidelity Funds owning 4,071,700 Series C Depositary Shares and (ii) the institutional accounts managed by Fidelity Trust owning 1,094,100 Series C Depositary Shares. According to the Schedule 13G, (a) FMR Corp. and Mr. Johnson each has sole investment power, but neither has sole voting power, over the shares owned by the Fidelity Funds, (b) FMR Corp. and Mr. Johnson each has sole investment power over all of, has sole voting power over certain of, and has no voting power over the remainder of, the shares owned by the institutional accounts managed by Fidelity Trust and (c) Mr. Johnson has sole voting and investment power over certain of, has shared voting and investment power over certain of, and has no voting or investment power over the remainder of, the shares owned directly by him or in family trusts. All of the figures in this footnote related to holdings of the Common Stock have been revised to reflect a one-for-five split of the Common Stock which occurred on April 12, 1995.

(2) College Retirement Equities Fund, a registered investment company, beneficially owned 1,782,680 shares of Series C Preferred Stock as of December 31, 1994 as a result of its beneficial ownership of 17,826,800 Series C Depositary Shares as reported in its Schedule 13G dated February 10, 1995.

(3) According to the Schedule 13G dated February 10, 1995 jointly filed by Brinson Partners, Inc. ("Brinson Partners"), Brinson Trust Company ("Brinson Trust") and Brinson Holdings, Inc. ("Brinson Holdings"), as of December 31, 1994 (i) Brinson Partners, a registered investment adviser and wholly owned subsidiary of Brinson Holdings, beneficially owned 1,238,560 shares of Series C Preferred Stock as a result of its beneficial ownership of 12,385,600 Series C Depositary Shares and (ii) Brinson Trust, a bank and wholly owned subsidiary of Brinson Partners, beneficially owned 506,750 shares of Series C Preferred Stock as a result of its beneficial ownership of 5,067,500 Series C Depositary Shares.

(4) According to the Schedule 13G dated March 10, 1995 filed by The Prudential Insurance Company of America ("Prudential"), a registered insurance company, broker-dealer and investment adviser Prudential beneficially owned an aggregate of 1,680,205 shares of Series C Preferred Stock as of December 31, 1994 as a result of having shared voting and investment discretion over 16,802,050 Series C Depositary Shares which were held for the benefit of its clients.

(5) Wachovia Bank holds the shares of the ESOP Preferred Stock in its capacity as Trustee of the RJR Nabisco Defined Contribution Master Trust. Under the terms of the Master Trust, Wachovia Bank is required to vote shares of ESOP Preferred Stock allocated to participants' accounts in accordance with instructions received from such participants and to vote allocated shares of ESOP Preferred Stock for which it has not received instructions and unallocated shares in the same ratio as shares with respect to which instructions have been received. The holders of the ESOP Preferred Stock vote as a class with the common stock at a ratio of one vote for each share of ESOP Preferred Stock for every five shares of the Common Stock. Wachovia has no investment power with respect to shares of ESOP Preferred Stock.

(6) According to Amendment No. 2 to the Schedule 13G dated September 8, 1995 jointly filed by the Janus Capital Corporation ("Janus Capital"), a registered investment adviser, and Thomas H. Bailey ("Bailey"), President and Chairman of, stockholder in, and thereby, a control person of Janus Capital, Janus Capital and Bailey beneficially own 4,472,875 shares of the Nabisco Class A Common Stock as a result of shared voting and dispositive power over such shares held for the benefit of its clients. Such beneficial ownership includes 4,169,500 shares of the Nabisco Class A Common Stock, or 9.3% of the Nabisco Class A Common Stock outstanding, beneficially owned by the Janus Fund, a registered investment company to which Janus Capital provides investment advice.

(7) According to Amendment No. 1 to the Schedule 13G dated June 6, 1995 filed jointly by Tiger Management Corporation ("Tiger"), Panther Partners L.P. ("Panther") and Panther Management Company L.P. ("PMCLP"), and Julian H. Robertson, Jr. ("Robertson") as the ultimate controlling person of Tiger and PMCLP, (i) Tiger, a registered investment adviser, beneficially owned 9,145,300 shares of Nabisco Class A Common Stock, (ii) Panther, a registered investment company, beneficially owned 744,700 shares of Nabisco Class A Common Stock, and (iii) PMCLP, a registered investment adviser, beneficially owned 744,700 shares of Nabisco Class A Common Stock. As ultimate controlling person of Tiger and PMCLP, Robertson beneficially owned 9,890,000 shares of Nabisco Class A Common Stock. According to the Schedule 13G, Tiger, Panther, PMCLP and Robertson, by virtue of his controlling interest in Tiger and PMCLP, each possess shared voting and investment discretion over such shares that they respectively beneficially own on behalf of their clients.

The information concerning RJR Nabisco and Nabisco contained herein has been taken from or is based upon RJR Nabisco's Preliminary Revocation Statement, which was filed with the SEC on December 11, 1995. Although Brooke Group does not have any knowledge that would indicate that any statements contained herein based on such filing are untrue, Brooke Group does not take responsibility for the accuracy or completeness of the information contained in such document, or for any failure by RJR Nabisco to disclose events that may have occurred and may affect the significance or accuracy of any such information but which are unknown to Brooke Group.

IMPORTANT

1. If your shares are held in your own name, please sign, date and mail the enclosed BLUE consent card to our Information Agent, Georgeson & Company Inc., in the postage-paid envelope provided.

2. If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can execute a consent with respect to your shares and only upon receipt of your specific instructions. Accordingly, you should contact the person responsible for your account and give instructions for a BLUE consent card to be signed representing your shares. Brooke Group urges you to confirm in writing your instructions to the person responsible for your account and to provide a copy of those instructions to Brooke Group in care of Georgeson & Company Inc. so that Brooke Group will be aware of all instructions given and can attempt to ensure that such instructions are followed.

If you have any questions or require any assistance in executing your consent, please call Georgeson & Company Inc. at the following number:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, New York 10005
Toll Free: (800) 223-2064

Banks and Brokerage Firms, please call collect:
(212) 440-9800

INTERNET INFORMATION

To access more information about our solicitation on the World Wide Web, use the following address:

http://www.georgeson.com

APPENDIX

(Pursuant to Rule 304 of Regulation S-T)

1. Page 4 contains a description in tabular form of a graph entitled "One Year Rate of Return" which represents the comparison of peer group members for the one year period commencing August 24, 1994 and ending August 28, 1995, which graph is contained in the paper format of this Consent Statement being sent to Stockholders.

2. Page 5 contains a description in tabluar form of a graph entitled "Compounded Annual Rates of Return" which represents the comparison of peer group members for the period commencing February 1, 1991 and ending August 28, 1995, which graph is contained in the paper format of this Consent Statement being sent to Stockholders.

3. Page 8 contains a description in tabular form of a graph entitled "Volume of U.S. Spinoffs" which represents in Dollars the volume of corporate spinoffs for the five year period from 1991 to 1995 including completed and pending spinoffs, which graph is contained in the paper format of this Consent Statement being sent to Stockholders.

[FRONT OF CONSENT CARD FOR HOLDERS OF COMMON STOCK]

CONSENT CARD

Solicited by Brooke Group Ltd.

The undersigned is the record holder of shares of Common Stock, par value $.01 per share (the "Shares"), of RJR Nabisco Holdings Corp. ("RJR Nabisco") and hereby acts as follows concerning the following two proposals.

PLEASE SIGN AND DATE REVERSE SIDE AND MAIL YOUR CONSENT PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

Unless otherwise indicated below, the action taken on the following proposals relates to all Shares held by the undersigned.

(Continued and to be signed on the reverse side)

[REVERSE OF CONSENT CARD FOR HOLDERS OF COMMON STOCK]

[X] Please mark your vote as in this example.

INSTRUCTION: TO TAKE ACTION WITH REGARD TO THE FOLLOWING PROPOSALS, CHECK THE APPROPRIATE BOX. IF NO BOX IS MARKED BELOW WITH RESPECT TO THE PROPOSAL, THE UNDERSIGNED WILL BE DEEMED TO CONSENT TO SUCH PROPOSAL.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE SPINOFF RESOLUTION.

1. SPINOFF RESOLUTION: relating to the spinoff of Nabisco to the stockholders of RJR Nabisco.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE BYLAW AMENDMENT.

2. BYLAW AMENDMENT: relating to reinstating the right of stockholders to call a Special Meeting and repealing the new procedures governing action by written consent.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

Please see the Solicitation Statement for additional details regarding the above Proposals.

Please note any change in your address from that set forth to the left. If no label has been affixed hereto, please fill in the Stockholder information in the space provided.

SIGNATURE

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

_____ _____

Signature(s) of Stockholder(s) Date

_____

Title, if any

[FRONT OF CONSENT CARD FOR HOLDERS OF PERCS]

CONSENT CARD

Solicited by Brooke Group Ltd.

The undersigned is the record holder of shares of Series C Conversion Preferred Stock, par value $.01 per share (the "Shares"), of RJR Nabisco Holdings Corp. ("RJR Nabisco") and hereby acts as follows concerning the following two proposals.

PLEASE SIGN AND DATE REVERSE SIDE AND MAIL YOUR CONSENT PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

Unless otherwise indicated below, the action taken on the following proposals relates to all Shares held by the undersigned.

(Continued and to be signed on the reverse side)

[REVERSE OF CONSENT CARD FOR HOLDERS OF PERCS]

[X] Please mark your vote as in this example.

INSTRUCTION: TO TAKE ACTION WITH REGARD TO THE FOLLOWING PROPOSALS, CHECK THE APPROPRIATE BOX. IF NO BOX IS MARKED BELOW WITH RESPECT TO THE PROPOSAL, THE UNDERSIGNED WILL BE DEEMED TO CONSENT TO SUCH PROPOSAL.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE SPINOFF RESOLUTION.

1. SPINOFF RESOLUTION: relating to the spinoff of Nabisco to the stockholders of RJR Nabisco.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE BYLAW AMENDMENT.

2. BYLAW AMENDMENT: relating to reinstating the right of stockholders to call a Special Meeting and repealing the new procedure governing action by written consent.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

Please see the Solicitation Statement for additional details regarding the above Proposals.

Please note any change in your address from that set forth to the left. If no label has been affixed hereto, please fill in the Stockholder information in the space provided.

SIGNATURE

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

_____ _____

Signature(s) of Stockholder(s) Date

_____

Title, if any

[FRONT OF CONSENT CARD FOR HOLDERS OF ESOP PREFERRED STOCK]

CONSENT CARD

Solicited by Brooke Group Ltd.

The undersigned is the record holder of shares of ESOP Convertible Preferred Stock, par value $.01 per share and stated value $16 per share (the "Shares"), of RJR Nabisco Holdings Corp. ("RJR Nabisco") and hereby acts as follows concerning the following two proposals.

PLEASE SIGN AND DATE REVERSE SIDE AND MAIL YOUR CONSENT PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

Unless otherwise indicated below, the action taken on the following proposals relates to all Shares held by the undersigned.

(Continued and to be signed on the reverse side)

[REVERSE OF CONSENT CARD FOR HOLDERS OF ESOP PREFERRED STOCK]

[X] Please mark your vote as in this example.

INSTRUCTION: TO TAKE ACTION WITH REGARD TO THE FOLLOWING PROPOSALS, CHECK THE APPROPRIATE BOX. IF NO BOX IS MARKED BELOW WITH RESPECT TO THE PROPOSAL, THE UNDERSIGNED WILL BE DEEMED TO CONSENT TO SUCH PROPOSAL.

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE SPINOFF RESOLUTION.

1. SPINOFF RESOLUTION: relating to the spinoff of Nabisco to the stockholders of RJR Nabisco.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

BROOKE GROUP RECOMMENDS THAT YOU CONSENT TO THE BYLAW AMENDMENT.

2. BYLAW AMENDMENT: relating to reinstating the right of stockholders to call a Special Meeting and repealing the new procedure governing action by written consent.

[ ] CONSENTS [ ] DOES NOT CONSENT [ ] ABSTAINS

Please see the Solicitation Statement for additional details regarding the above Proposals.

Please note any change in your address from that set forth to the left. If no label has been affixed hereto, please fill in the Stockholder information in the space provided.

SIGNATURE

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

_____ _____

Signature(s) of Stockholder(s) Date

_____

Title, if any

IMPORTANT

RE: RJR Nabisco Holdings Corp.
Solicitation of Written Consents to Spinoff Resolution
and Bylaw Amendment Made by Brooke Group Ltd.

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To RJR Nabisco Stockholders:

Enclosed for your consideration is soliciting material furnished to us by Brooke Group Ltd. in connection with their solicitation of your written consent.

Only we, as the holder of record, can execute a written consent on your behalf.

If you wish us to execute a written consent on your behalf, please complete, sign, date and mail the BLUE consent card in the postage-free envelope provided.

WE CANNOT EXECUTE A WRITTEN CONSENT FOR YOUR SHARES UNLESS WE RECEIVE YOUR SPECIFIC INSTRUCTIONS.

If you have any questions or any difficulty in executing a BLUE consent card for your shares, please call:

GEORGESON & COMPANY INC.
(800) 223-2064

A REPLY IS NECESSARY TO EXECUTE A CONSENT

PLEASE ACT PROMPTLY

1996 ANNUAL MEETING OF STOCKHOLDERS
OF
RJR NABISCO HOLDINGS CORP.

PROXY STATEMENT
OF
BROOKE GROUP LTD.

To Our Fellow RJR Nabisco Stockholders:

Based on a preliminary count, over a majority of the outstanding shares of RJR Nabisco consented to an advisory resolution (the "Spinoff Resolution") requesting that RJR Nabisco's incumbent board of directors (the "Incumbent Board") immediately spin off the remaining 80.5% of Nabisco Holdings Corp. ("Nabisco") held by RJR Nabisco to stockholders.* The Incumbent Board and current management have made it clear on numerous occasions that they will not listen to your demand for an immediate spinoff of Nabisco. In fact, it was reported that an RJR Nabisco spokeswoman said that "THE COMPANY WON'T AGREE TO SPIN OFF NABISCO, EVEN IF AS MANY AS 90% OF THE SHAREHOLDERS FAVOR IT."(1)

Brooke Group is soliciting proxies in favor of a slate of directors who are committed to listening to stockholders.(2) Hopefully, continued stockholder pressure will force the Incumbent Board to realize that its primary obligation is to the RJR Nabisco stockholders. Brooke Group will terminate this proxy solicitation if, prior to the Annual Meeting, RJR Nabisco irrevocably and responsibly commits to an immediate spinoff of its remaining equity interest in Nabisco. See "Certain Information Regarding Brooke Group."

We believe that the Incumbent Board is abusing the fundamental principles of corporate democracy. Stockholders are the true owners of publicly-traded companies. Brooke Group believes that, as the true owners, the stockholders have the right to tell management how best to realize the true value of their investment. The results of the Spinoff Resolution confirm that stockholders believe that the benefits of an immediate spinoff of Nabisco are compelling. It is clear to us, and should be clear to the Incumbent Board, that stockholders have spoken and favor an immediate spinoff.* Brooke Group believes that the Incumbent Board's fear of personal liability for hypothetical suits alleging that a spinoff is a fraudulent conveyance is causing it to prefer its own self interests over those of the Company's stockholders. We think stockholders have good reason to question whether the Incumbent Board will ever spin off Nabisco.

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(1) Bloomberg Business News, January 18, 1996.

(2) This Proxy Statement and the BLUE proxy card are first being furnished to RJR Nabisco stockholders on or about March 1, 1996. The principal executive offices of RJR Nabisco are located at 1301 Avenue of the Americas, New York, New York 10019.

* Brooke Group is not aware of the extent of any revocations obtained by RJR Nabisco. Final results have not yet been determined and may vary from any preliminary results.

ELECT THE BROOKE GROUP NOMINEES AS RJR NABISCO DIRECTORS. Brooke Group remains committed to revitalizing RJR Nabisco and allowing stockholders to realize the true value of their investment by creating two distinct unaffiliated companies, each better able to operate and achieve strong results in their respective businesses. Accordingly, Brooke Group is soliciting your proxy in support of the election of the nominees (the "Brooke Group Nominees") named below under "Election of Directors" as the Directors of RJR Nabisco. ALL OF THE BROOKE GROUP NOMINEES WILL TAKE THE NECESSARY STEPS TO SPIN OFF THE REMAINING 80.5% OF NABISCO IMMEDIATELY AFTER THEY ARE ELECTED AND HAVE ASSUMED OFFICE. If a spinoff of RJR Nabisco's remaining equity interest in Nabisco is not declared within six months of their election and assumption of office, the Brooke Group Nominees will call a special stockholders meeting for the election of directors at which they may solicit proxies for their re-election. The Brooke Group Nominees believe that a declaration of a dividend creates a binding commitment of the Company; however, there can be no assurance that a spinoff would be completed within the six month period.

The Brooke Group Nominees also intend to increase your dividend. The Brooke Group Nominees will adopt a new dividend policy with respect to the post-spinoff tobacco company (the "Tobacco Company") as a means to deliver additional value on your investment. The Brooke Group Nominees currently anticipate a new dividend policy providing that at least 60% of the Tobacco Company's Net Cash

Flow (as defined herein) will be declared as cash dividends on the Tobacco Company common stock. Based on RJR Nabisco's public financial statements, and analysts' and Brooke Group's estimates, the Brooke Group Nominees expect to increase the annual dividend of the Tobacco Company to approximately $2.00 per share of common stock.

The Incumbent Board, however, is attempting to divert your attention from the real issue and is asserting that Bennett S. LeBow, the Chairman of Brooke Group, is seeking to gain control of RJR Nabisco to exploit your investment in the Company. Brooke Group's only desire is to obtain an immediate spinoff of Nabisco for the benefit of all stockholders. Since the Incumbent Board has ignored your wishes, Brooke Group is compelled to seek the election of a new board committed to listening to stockholders. The Brooke Group Nominees have agreed to the following corporate governance guidelines, discussed in further detail below, to demonstrate their commitment to shareholder democracy:

- Any extraordinary corporate transaction (other than matters in the ordinary course of business) between the Tobacco Company and its subsidiaries and Brooke Group and its affiliates will be subject to approval of stockholders and a special committee of independent directors.

- The Brooke Group Nominees will not propose a staggered board of directors or a poison pill.

- The Brooke Group Nominees will adopt a confidential voting procedure on all future matters acted upon by stockholders.

- Brooke Group and its affiliates will not exercise any management control over Nabisco.

- The Brooke Group Nominees will terminate the RJR Nabisco Directors Retirement Plan for new directors elected at or after the Annual Meeting.

IF, LIKE US, YOU BELIEVE THAT YOU SHOULD HAVE A VOICE IN DECIDING THE FUTURE OF RJR NABISCO AND THAT YOU ARE ENTITLED TO RECOGNIZE THE TRUE VALUE OF YOUR INVESTMENT, WE URGE YOU TO VOTE YOUR BLUE PROXY CARD FOR THE BROOKE GROUP NOMINEES, WHO ARE COMMITTED TO AN IMMEDIATE SPINOFF OF NABISCO.

IMPORTANT

This Proxy Statement and the accompanying BLUE proxy card are being furnished in connection with the solicitation of proxies by Brooke Group Ltd. ("Brooke Group"), to be used at the 1996 Annual Meeting (the "Annual Meeting") of Stockholders of RJR Nabisco Holdings Corp. ("RJR Nabisco" or the "Company"), and at any adjournments, postponements or reschedulings thereof. The Company has not yet publicly announced the date, time and place of the Annual Meeting. However, in response to public criticism by Brooke Group, the Company did announce that the Company plans to hold the Annual Meeting in the third week in April.

At the Annual Meeting, Brooke Group will seek to elect the Brooke Group Nominees. The election of the Brooke Group Nominees requires the affirmative vote of a plurality of the votes cast, assuming a quorum is present or otherwise represented at the Annual Meeting. Brooke Group urges you to mark, sign, date and return the enclosed BLUE proxy card to vote FOR the election of the Brooke Group Nominees.

BROOKE GROUP URGES YOU NOT TO SIGN ANY PROXY CARD SENT TO YOU BY RJR NABISCO. IF YOU HAVE ALREADY DONE SO, YOU MAY REVOKE YOUR PROXY BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING TO BROOKE GROUP, C/O GEORGESON & COMPANY INC., WALL STREET PLAZA, NEW YORK, NEW YORK 10005, OR TO THE SECRETARY OF RJR NABISCO, OR BY VOTING IN PERSON AT THE ANNUAL MEETING. SEE "VOTING AND PROXY PROCEDURES" BELOW.

The record date for determining stockholders entitled to notice of and to vote at the Annual Meeting is February 29, 1996 (the "Record Date"). Stockholders of record at the close of business on the Record Date will be entitled to one vote at the Annual Meeting for each share of common stock, par value $.01 per share (the "Common Stock"), and one-fifth of a vote at the Annual Meeting for each share of Series C Conversion Preferred Stock, par value $.01 per share (the "PERCS"), and ESOP Convertible Preferred Stock, par value $.01 per share and stated value $16 per share ("ESOP Preferred Stock" and, together with the Common Stock and the PERCS, the "RJR Nabisco Voting Securities"), of RJR Nabisco, held on the Record Date. According to the preliminary proxy statement of RJR Nabisco filed with the Securities and Exchange Commission ("RJR Nabisco's Proxy Statement"), there were 26,675,000 shares of PERCS and 15,003,379 shares of ESOP Preferred Stock outstanding on the Record Date. As of the date of this proxy statement, the number of shares of Common Stock outstanding is unknown. However, according to a stockholder list received by Brooke Group from RJR Nabisco, as of February 12, 1996 there were 273,018,962 shares of Common Stock outstanding. Brooke Group does not anticipate that there will be a significant change in the number of shares of Common Stock outstanding as of the Record Date. All of the shares of PERCS are held by First Chicago Trust Company of New York as Depositary for the holders of the Series C Depositary Shares ("Series C Depositary Shares"). Each Series C Depositary Share represents one-tenth of a share of PERCS. Consequently, holders of Series C Depositary Shares are entitled to one-fiftieth (1/50) of a vote per share.

As of February 29, 1996, Brooke Group and its affiliates beneficially owned an aggregate of 5,162,150 shares of Common Stock, representing approximately 1.9% of the outstanding shares of Common Stock. Brooke Group and its affiliates intend to vote such shares FOR the election of

the Brooke Group Nominees. On February 29, 1996, New Valley entered into a total return equity swap transaction with a financial institution relating to an additional 1,000,000 shares of Common Stock. In addition, Brooke Group and BGLS Inc. ("BGLS") have entered into an agreement, as amended (the "High River Agreement"), with High River Limited Partnership ("High River"), an entity owned by Carl C. Icahn. High River, and two of its affiliates also owned by Mr. Icahn, beneficially own 8,897,900 shares of Common Stock, representing approximately 3.3% of the outstanding shares of Common Stock, pursuant to which High River has agreed, among other things, to vote such shares FOR the election of the Brooke Group Nominees. See "Certain Information Concerning Brooke Group." Brooke Group is hereby pledging to the stockholders of RJR Nabisco that it will not accept any form of greenmail from RJR Nabisco during its solicitation of proxies with respect to the Brooke Group Nominees. High River has agreed in the High River Agreement that it will not accept any form of greenmail from RJR Nabisco during the solicitation.

COMMITMENT TO INCREASE VALUE

IMMEDIATE SPINOFF OF NABISCO

THE BROOKE GROUP NOMINEES WILL TAKE THE NECESSARY STEPS TO EFFECT AN IMMEDIATE SPINOFF OF NABISCO. The Brooke Group Nominees will listen to stockholders. The Brooke Group Nominees will take the steps necessary to effectuate an immediate spinoff of the remaining 80.5% of Nabisco held by RJR Nabisco to its stockholders immediately upon their election and assumption of office. You should not support the Incumbent Board, which has displayed its contempt for stockholder rights, has undeniably disregarded the views of stockholders and has not presented you with a plan to immediately unlock stockholder value by improving the separate tobacco and food businesses. The Brooke Group Nominees are hereby pledging to the stockholders of RJR Nabisco that if they do not declare a spinoff of RJR Nabisco's remaining equity interest in Nabisco within six months of their election and assumption of office, they will call a special stockholders meeting for the election of directors at which they may solicit proxies for their re-election. The Brooke Group Nominees believe that a declaration of a dividend creates a binding commitment of the Company; however, there can be no assurance that a spinoff would be completed within the six month period.

INCREASED DIVIDEND

THE BROOKE GROUP NOMINEES INTEND TO INCREASE YOUR DIVIDEND. The Brooke Group Nominees will adopt a new dividend policy for the Tobacco Company as an additional means to deliver enhanced value on your shares. Upon their election and assumption of office, the Brooke Group Nominees currently anticipate a dividend policy providing that at least 60% of the Tobacco Company's Net Cash Flow will be declared as cash dividends out of funds legally available therefor. Net Cash Flow means the Tobacco Company's after-tax net income plus amortization on an after-tax basis plus depreciation less capital expenditures. Based on RJR Nabisco's public financial statements, and analysts' and Brooke Group's estimates, the Brooke Group Nominees expect to increase the Tobacco Company's 1996 annual dividend to approximately $2.00 per share of Common Stock. It is anticipated that the Tobacco Company will increase its annual dividend rate to $2.00 per share, effective in the third quarter of 1996. The dividend calculation is based on the average of the 1996 and 1997 earnings per share estimate projections ($2.74 per share of RJR Nabisco and $1.05 per Nabisco share owned by RJR Nabisco) by I/B/E/S International Inc.* dated February 23, 1996. In addition, the amounts used for depreciation ($238 million) and after-tax

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* The estimates of I/B/E/S International Inc. are compilations of sixteen analysts covering RJR Nabisco and fourteen analysts covering Nabisco. No permission has been sought or received to quote or refer to this material.

amortization expenses ($368 million) are based on the tobacco segment's after-tax amortization and depreciation expenses for the year ended December 31, 1995. Estimated capital expenditures are based on the Company's tobacco segment's three-year average from 1993 to 1995 ($233 million).

MANAGEMENT PLANS

REVITALIZING THE TOBACCO COMPANY

The Brooke Group Nominees currently intend to appoint Ronald Fulford as the President and Chief Executive Officer of RJR Nabisco upon their election and assumption of office. Until February 21, 1996, Mr. Fulford was executive chairman of Hanson PLC's Imperial Tobacco and is a senior associate director of Hanson PLC. Mr. Fulford, 61, joined Imperial Tobacco in 1987, where he engineered the dramatic turnaround at Britain's second largest tobacco maker. Operating profit rose from 127 million (English Pounds) in fiscal 1987 to 348 million (English Pounds) in fiscal 1995, while profit per employee rose 10-fold. Before Imperial Tobacco, Mr. Fulford was chief executive of three other Hanson companies: London Brick (1985-1987), British Ever Ready UK & South Africa (1982-1987) and United Gas Industries UK & Europe (1980-1983).

Brooke Group has entered into an agreement with Mr. Fulford. Pursuant to this agreement, Mr. Fulford agreed to provide various services to Brooke Group (including, without limitation, consulting services, attendance at and participation in meetings related to this solicitation and presentations to financial analysts and institutional investors). Brooke Group, in turn, agreed that if the Brooke Group Nominees are elected to the Board of Directors of RJR Nabisco, Brooke Group will use its reasonable best efforts to have Mr. Fulford appointed to serve as the President and Chief Executive Officer of RJR Nabisco under a minimum 3-year employment agreement with RJR Nabisco that would provide for an annual salary of at least $1 million, plus such bonus, stock option, and other compensation arrangements as the Board of Directors of RJR Nabisco, after receiving the recommendations of a major multi-national compensation consultant, shall determine to be commensurate with the compensation arrangements for the chief executive officers of other large multi-national tobacco companies. Brooke Group also agreed to use its reasonable best efforts to have Mr. Fulford elected or appointed as a member of the Board of Directors of RJR Nabisco. During the term of the agreement, Mr. Fulford will receive compensation equal to UK(pound)33,417 (or approximately US$21,833) per month and reimbursement for all reasonable business and travel expenses incurred in performing services under the agreement and all reasonable personal expenses incurred in connection with relocation to the United States. Brooke Group also agreed to reimburse Mr. Fulford for any reduction in pension benefits (currently estimated at approximately UK(pound)14,400 (or approximately US$9,408) per annum) resulting from his terminating his current employment to enter into the agreement. The term of the agreement will end on March 31, 1997 or, if earlier, the effective date of an employment agreement between Mr. Fulford and RJR Nabisco, as described above.

The Brooke Group Nominees do not currently have any other plans with respect to the management of the tobacco business but intend to reconsider this issue upon their election and assumption of office.

NABISCO

The Brooke Group Nominees do not have any plans to change the current management or operations of Nabisco. The Brooke Group Nominees intend that the management and operations of any post-spinoff Nabisco will be substantially similar to Nabisco as constituted today. Accordingly, Brooke Group, BGLS and the Brooke Group Nominees hereby pledge to the

stockholders of RJR Nabisco that, prior to the consummation of a Nabisco spinoff, none of Brooke Group, BGLS, their respective affiliates or the Brooke Group Nominees will exercise any management control over, and will refrain from becoming involved in the ordinary course of business of, Nabisco or Nabisco, Inc. Additionally, such persons will use their best efforts to ensure that a majority of the present directors of Nabisco and Nabisco, Inc. consists of individuals who are presently members of the board of directors of Nabisco and Nabisco Inc., respectively.

CORPORATE GOVERNANCE

We have said all along that we believe the Incumbent Board was trying to mislead you by focusing on personal attacks against Mr. LeBow and Brooke Group. The Company has claimed that Mr. LeBow is placing his personal agenda above the interests of the other stockholders. We have not and will not sink to their level and engage in hysterical name-calling. Instead, the Brooke Group Nominees have agreed to a set of corporate governance guidelines (the "Corporate Governance Guidelines") demonstrating their commitment to corporate governance and shareholder democracy. The Brooke Group Nominees intend to adopt the Corporate Governance Guidelines immediately upon being elected and assuming office as Directors of RJR Nabisco. The Brooke Group Nominees upon their election and assumption of office will amend the Bylaws of RJR Nabisco (the "Bylaws") (which amendments by their terms could not be subsequently amended or repealed without stockholder approval) to incorporate the Corporate Governance Guidelines.

Affiliate Transactions. Any extraordinary corporate transaction or series of similar transactions (other than compensation or other matters in the ordinary course of business substantially in accordance with industry practice or past practice) in excess of $2 million per annum between RJR Nabisco and, after the spinoff of Nabisco, the Tobacco Company, and their subsidiaries, on the one hand, and Brooke Group and its affiliates, on the other hand, will be subject to approval of a special committee of independent directors. The independent directors will have the benefit of independent financial advisors and legal counsel. In addition, any such transaction will be subject to approval by the stockholders of RJR Nabisco. The Brooke Group Nominees will consult with an internationally recognized executive compensation firm to determine that all compensation levels are commensurate with similarly situated executives at other comparable companies. Contrary to the Incumbent Board's assertions, Brooke Group and the Brooke Group Nominees are committed to act in the interests of all stockholders of RJR Nabisco.

No Staggered Board. The Brooke Group Nominees will not propose, or recommend that stockholders adopt, an amendment to the Bylaws or Certificate of Incorporation of the Company which would provide for a classified Board of Directors of RJR Nabisco. The Brooke Group Nominees believe that directors are most responsive to stockholders when the entire board of directors stand for election at each annual meeting of stockholders. Brooke Group and the Brooke Group Nominees believe that this would enhance corporate democracy at RJR Nabisco by making your Board of Directors more responsive to your wishes.

No Poison Pill. The Brooke Group Nominees will not propose or approve a stockholder rights plan. The Brooke Group Nominees will amend the Bylaws to prohibit RJR Nabisco from adopting a stockholder rights plan, entering into any agreement or issuing any security or other rights, having the effect of discriminating against any stockholder of RJR Nabisco based upon such stockholder owning or offering to acquire a specified number or percentage of RJR Nabisco Voting Securities. Brooke Group and the Brooke Group Nominees believe that a poison-pill serves only to entrench incumbent management and is not in the best interests of the stockholders.

Confidential Voting. The Brooke Group Nominees will adopt a confidential voting procedure with respect to all future matters to be acted upon by stockholders. The Brooke Group Nominees will amend the Bylaws to provide that all votes of stockholders will remain strictly confidential from the Company and its directors, officers and employees. Brooke Group and the Brooke Group Nominees believe that confidential voting, a hallmark of the American system, would increase shareholder democracy by permitting stockholders to vote as they see fit, without fear of reprisal or undue influence.

Non-Employee Director Retirement Plan. The Brooke Group Nominees will take all actions necessary to terminate, or waive benefits under, the RJR Nabisco Directors Retirement Plan with respect to any directors elected at or after the Annual Meeting. Pursuant to the existing plan, non-employee directors could receive $60,000 per year for up to fifteen years upon their retirement. However, the plan would not be unilaterally terminated by the Brooke Group Nominees with respect to any former directors, including the Incumbent Board, of RJR Nabisco, who would continue to receive their specified retirement payments in accordance with the plan.

ITEM 1 -- ELECTION OF DIRECTORS

According to RJR Nabisco's Proxy Statement, RJR Nabisco currently has ten Directors, all of whose terms will expire at the Annual Meeting. Brooke Group proposes that RJR Nabisco stockholders elect the Brooke Group Nominees as the ten Directors of RJR Nabisco at the Annual Meeting. The Brooke Group Nominees are listed below and have furnished the following information concerning their principal occupations or employment and certain other matters. Each Brooke Group Nominee, if elected, would hold office until the 1997 Annual Meeting of Stockholders and until a successor has been elected and qualified. Although Brooke Group has no reason to believe that any of the Brooke Group Nominees will be unable to serve as Directors, if any one or more of the Brooke Group Nominees are not available for election, the persons named on the BLUE proxy card will vote for the election of such other nominees as may be proposed by Brooke Group.

BROOKE GROUP NOMINEES FOR DIRECTORS:

ARNOLD I. BURNS, age 65, is currently, and has been during the past five years, a Senior Partner at Proskauer Rose Goetz & Mendelsohn LLP, a New York based law firm. Mr. Burns was the Associate Attorney General at the United States Department of Justice in 1986 and the Deputy Attorney General from 1986 to 1988. Mr. Burns is a director of New Valley Corporation ("New Valley"), a company engaged in the investment banking and brokerage business, the ownership and management of commercial real estate and the acquisition of operating companies and in which Brooke Group holds an indirect equity interest. Mr. Burns's business address is c/o Proskauer Rose Goetz & Mendelsohn LLP, 1585 Broadway, New York, New York 10036.

ROUBEN V. CHAKALIAN, age 60, has since January 1995 been the Chairman of the Board, and since June 1994 the President and Chief Executive Officer, of Liggett Group Inc. ("Liggett"), the fifth largest manufacturer of cigarettes in the United States and an indirect, wholly-owned subsidiary of Brooke Group. Mr. Chakalian was a consultant to Liggett from June 1993 to May 1994, was the consultant to and member of the office of the Chief Executive of Liggett from March 1993 to May 1993, and was a consultant to Liggett from February 1991 to January 1993. Prior thereto, Mr. Chakalian served as the Executive Vice President of R.J. Reynolds Tobacco

International and a Senior Vice President of the R.J. Reynolds wine and spirits subsidiary, Heublein, Inc., which is now a subsidiary of Grand Metropolitan PLC. Mr. Chakalian's business address is c/o Liggett Group Inc., 700 West Main Street, Durham, North Carolina 27702.

ROBERT L. FROME, age 56, is currently, and has been during the past five years, a Senior Partner at Olshan Grundman Frome & Rosenzweig, a New York based law firm. Mr. Frome has published numerous articles in the New York Law Journal and other publications on a variety of topics, including shareholders' rights, the liabilities and remedies of officers and directors of publicly traded companies, the business judgment rule, initial public offerings, private placements and initiatives for small businesses. Mr. Frome is a director of Healthcare Services Group, Inc. and NUCO2. Mr. Frome's business address is c/o Olshan Grundman Frome & Rosenzweig, 505 Park Avenue, New York, New York 10022.

DALE M. HANSON, age 53, is currently and has been since July, 1994 the chief executive officer of American Partners Capital Group, Inc., a provider of financial products and services to institutional investors. From 1987 until July, 1994, Mr. Hanson served as chief executive officer of the California Public Employees Retirement System ("CalPERS"). CalPERS is the largest public employee retirement system in the United States and third largest pension system in the world, with a market value of assets at that time of more than $82 billion and with 1.1 million members. Mr. Hanson, who is widely known as a leader of the shareholder rights movement, currently sits on the Advisory Board of Directorship, a Greenwich, Connecticut based consulting firm focusing on issues of corporate governance. Mr. Hanson is also a member of the Board of ICN Pharmaceuticals, Inc., the University of California-Davis Medical School Board of Visitors and the California State University-Sacramento Trust Foundation. Mr. Hanson's business address is c/o American Partners Capital Group, Inc., 2150 River Plaza Drive, Suite 170, Sacramento, CA 95833.

RICHARD J. LAMPEN, age 42, has been the Executive Vice President and General Counsel of New Valley since October 1995. From May 1992 to September 1995, Mr. Lampen was a Partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a Managing Director at Salomon Brothers Inc, an investment bank, and was an employee at Salomon Brothers from 1986 to April 1992. Mr. Lampen has served as a director of a number of companies, including U.S. Can Corporation and The International Bank of Miami, N.A., as well as a court-appointed independent director of Trump Plaza Funding, Inc. Mr. Lampen's business address is c/o New Valley Corporation, 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131.

BENNETT S. LEBOW, age 58, has been the Chairman of the Board, President and Chief Executive Officer of Brooke Group since June 1990 and a director of Brooke Group since October 1986. Mr. LeBow has been the Chairman of the Board, President and Chief Executive Officer of BGLS, a wholly-owned subsidiary of Brooke Group principally engaged through subsidiaries in the manufacture and sale of cigarettes, and through its investment in New Valley in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies, since November 1990. Mr. LeBow has been a director of Liggett since June 1990 and Chairman of the Board of Directors of Liggett from July 1990 to May 1993. From March 1993 to May 1993 Mr. LeBow served as a member of the three person office of the Chief Executive of Liggett. Mr. LeBow has been the Chairman of the Board of New Valley since January 1988 and Chief Executive Officer thereof since November 1994. Mr. LeBow was Chairman of the Board, and/or a director of Skybox International Inc., a sports

and entertainment card company, from June 1990 to August 1994. Mr. LeBow was a director of MAI Systems Corporation, a multi-user computer systems company ("MAI"), from September 1984 to October 1995, the Chairman of the Board from November 1990 to May 1995 and the Chief Executive Officer from November 1990 to April 1993. Mr. LeBow's business address is c/o Brooke Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131.

BARRY W. RIDINGS, age 43, has been a Managing Director in the Investment Banking Division of Alex. Brown & Sons Incorporated, an investment bank, since March 1990. Mr. Ridings manages the firm's Restructuring Group and is active in the firm's mergers and acquisitions and public debt activities. Mr. Ridings is a director of Noodle Kidoodle, Inc., New Valley, Norex America, Inc., SubMicron Systems Corp., Telemundo Group, Inc., TransCor Waste Services, Inc. and Trinity Americas Inc. Mr. Ridings' business address is c/o Alex. Brown & Sons Incorporated, 1290 Avenue of the Americas, 10th Floor, New York, New York 10104.

WILLIAM H. STARBUCK, age 61, has been the ITT Professor of Creative Management at Stern School of Business, New York University, since January 1985. Dr. Starbuck has been the Vice President of the Academy of Management, a non-profit professional association, since August 1994. Dr. Starbuck has written extensively on a variety of business topics, including accounting, organizational design, the corporate environment, how organizations learn, strategic change, adaptive design, entrepreneurship and organization, employee performance and coping with strategic crises. He is a member of the editorial boards of numerous publications, including the Journal of Management Inquiry, the Journal of Management Studies, the British Journal of Management and Accounting, Management and Information Technologies. Dr. Starbuck's business address is 2 Washington Square Village, Penthouse G, New York, New York 10012-1711.

PETER STRAUSS, age 63, has been a consultant since January 1995 in the consumer package goods area, primarily in the tobacco and confectionery industries, where he has 37 years of experience. From December 1991 to December 1994, Mr. Strauss was the Senior Vice President, Trade Marketing (Domestic) and International Operations at The American Tobacco Company, a tobacco company which was merged with Brown & Williamson Tobacco Corporation, the U.S. subsidiary of B.A.T., in 1994. While at American Tobacco, Mr. Strauss headed the company's entry into the deep discount cigarette category, in addition to reorienting the company's approach to international markets by forming alliances with local sales and marketing organizations through which the company's products would be sold. From October 1990 to November 1991, Mr. Strauss was the President of Peter Strauss & Co., Inc., a consulting services company. Mr. Strauss spent 28 years as an employee of the Culbro Corporation, a manufacturer of tobacco and distributor of tobacco, candy and miscellaneous consumer products, where he held a variety of positions, including Executive Vice President of General Cigar Co., Inc., President and Chief Executive Officer of Metropolitan Distribution Services, Inc. and President and Chief Executive Officer of The Seneco Company. In 1984, Mr. Strauss was elected into the Tobacco Industry Hall of Fame. In 1995, Mr. Strauss was elected Dean of Industry by the American Wholesale Marketers Association. Mr. Strauss's business address is 156 Brite Avenue, Scarsdale, New York 10583.

FREDERICK W. ZUCKERMAN, age 61, has been the General Partner of Zuckerman, Firstenberg & Associates, LLP, a financial advisory/investment banking company, since January 1995. From September 1993 to December 1994, Mr. Zuckerman was the Vice President and Treasurer of International Business Machines Corporation (IBM), an information technology company. From

February 1991 to September 1993, Mr. Zuckerman was the Senior Vice President and Treasurer of RJR Nabisco. From October 1990 to February 1991, Mr. Zuckerman was a Partner at Zuckerman & Co., a consulting firm. Mr. Zuckerman was the Vice President and Treasurer of Chrysler Corporation from December, 1981 to October 1990. Mr. Zuckerman is a director of Meditrust, Japan Equity Fund Inc., Singapore Fund Inc., Olympic Financial Ltd., Caere Corp., Anacomp Inc., Turner Corp. and NVR Inc. Mr. Zuckerman's business address is Zuckerman, Firstenberg & Associates, LLP, 1 State Street Plaza, 33rd Floor, New York, New York 10004.

BROOKE GROUP STRONGLY RECOMMENDS A VOTE FOR THE ELECTION OF THE BROOKE GROUP NOMINEES. A VOTE FOR THE ELECTION OF THE BROOKE GROUP NOMINEES WILL PROVIDE YOU WITH A BOARD OF DIRECTORS COMMITTED TO CORPORATE DEMOCRACY.

IF YOU HAVE SIGNED THE PROXY CARD AND NO MARKING IS MADE, YOU WILL BE DEEMED TO HAVE GIVEN A DIRECTION TO VOTE THE RJR NABISCO VOTING SECURITIES REPRESENTED BY THE BLUE PROXY CARD FOR THE ELECTION OF ALL THE BROOKE GROUP NOMINEES.

Messrs. LeBow and Chakalian will take all necessary actions with respect to Brooke Group, BGLS and Liggett, as applicable, in order to comply with federal anti-trust laws, if elected as Directors of RJR Nabisco at the Annual Meeting.

An involuntary bankruptcy petition was filed against New Valley by certain bondholders on November 15, 1991. On March 31, 1993, New Valley consented to the entry of an order for relief under Chapter 11 of Title 11 of the United States Code. On November 15, 1994, the United States Bankruptcy Court for the District of New Jersey confirmed New Valley's plan of reorganization and on January 18, 1995, New Valley emerged from reorganization proceedings. In April 1993, MAI filed for protection under Chapter 11 of Title 11 of the United States Code. In November 1993, the United States Bankruptcy Court for the District of Delaware confirmed MAI's plan of reorganization, and in November 1993 it emerged from reorganization proceedings.

Brooke Group has paid each of Messrs. Burns, Frome, Ridings, Starbuck, Strauss and Zuckerman $30,000, in connection with their agreeing to be a nominee at the Annual Meeting. Brooke Group has also entered into an agreement with each Brooke Group Nominee, whereby it has agreed to indemnify each Brooke Group Nominee from and against any losses incurred by such Brooke Group Nominee resulting from, relating to or arising out of any claim in connection with the solicitation of proxies in support of the Brooke Group Nominee's election at the Annual Meeting, including the right to be advanced by Brooke Group for any expenses incurred in connection with any such claim.

Brooke Group has entered into a consulting services agreement with Mr. Zuckerman. Pursuant to this agreement, Brooke Group agreed to pay Mr. Zuckerman $10,000 monthly for a one-year period. Mr. Zuckerman, in turn, agreed to advise and consult Brooke Group and its affiliates on various matters, including but not limited to (i) financial and investment matters, (ii) matters relating to or arising out of Brooke Group's consent solicitation relating to the Spinoff Resolution, and (iii) such other matters as Brooke Group and Mr. Zuckerman agree on from time to time. Brooke Group has also agreed to provide Mr. Zuckerman with an office in New York City, and to reimburse Mr. Zuckerman for all ordinary, necessary and reasonable business expenses incurred by Mr. Zuckerman in connection with his performance of consulting services.

Brooke Group has entered into a services agreement with Mr. Hanson. Pursuant to this agreement, Mr. Hanson agreed (a) to be a Brooke Group Nominee, and (b) to advise and consult

with Brooke Group and its affiliates on various matters, including but not limited to (i) matters generally relating to issues of corporate governance and shareholder democracy in publicly traded corporations, (ii) matters relating to or arising out of the solicitation by Brooke Group of consents from the stockholders of RJR Nabisco for the Spinoff Resolution, (iii) matters relating to or arising out of this solicitation, and (iv) such other matters as Brooke Group and Mr. Hanson shall agree on from time to time. Brooke Group, in turn, agreed to pay Mr. Hanson a one time fee of $150,000. Brooke Group also granted to Mr. Hanson a stock appreciation right (the "SAR") with respect to 50,000 shares ("SAR Shares") of Common Stock, exercisable in whole or in part at any time and from time to time from and after June 30, 1996. The SAR expires at the close of business on the tenth business day after the end of the term of the agreement. The agreement will terminate on May 31, 1997 unless earlier terminated by the parties. Upon exercise, Brooke Group shall pay to Mr. Hanson an amount, if any, equal to the excess of the fair market value of a share of Common Stock on the date of exercise over $31.50 per share, multiplied by the number of shares of Common Stock with respect to which the SAR shall have been exercised. For purposes of this agreement, "fair market value", as of any date shall mean the average of the daily closing prices of the Common Stock for the ten consecutive trading days on or prior to such date, as reported on the consolidated transaction reporting system for the New York Stock Exchange for such dates. In the event of any change in capitalization affecting the Common Stock, including, without limitation, a stock dividend or other distribution, split, reverse certificate split, recapitalization, merger, consolidation, subdivision, split-up, spin-off, combination or exchange of Common Stock or other form of reorganization, or any other change affecting the Common Stock, Brooke Group will automatically make such mathematically proportionate adjustments in the number of SAR Shares covered by the SAR and the exercise price in respect thereof, as are reasonably appropriate under the circumstances. Brooke Group also agreed to reimburse Mr. Hanson for all ordinary, necessary and reasonable business expenses incurred in connection with the services under the agreement.

Certain additional information relating to, among other things, the ownership, purchase and sale of securities of RJR Nabisco by Brooke Group, the Brooke Group Nominees and their respective associates is set forth in Schedule I hereto.

OTHER MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

According to RJR Nabisco's Proxy Statement, RJR Nabisco is soliciting proxies with respect to ten proposals other than the election of directors. Please refer to RJR Nabisco's Proxy Statement for a detailed discussion of these proposals, including various arguments in favor of and against such proposals. These proposals are discussed below.

ITEM 2 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Brooke Group anticipates that at the Annual Meeting, the stockholders will again be asked to ratify the appointment of Deloitte & Touche LLP as RJR Nabisco's independent auditors for the year ending December 31, 1996. Brooke Group recommends a vote for this proposal.

ITEM 3 -- EQUAL EMPLOYMENT OPPORTUNITY REPORTING PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "Be it resolved: A report shall be prepared at reasonable

cost, by September 1996, excluding confidential information and shall focus on the following areas:

1. A copy of the consolidated EEO-1 report for 1993, 1994, 1995 available to shareholders upon request.

2. Report the number of discrimination complaints and lawsuits concerning race, gender and the physically challenged. The cost to the company and shareholders from discrimination lawsuits and alternatives to resolve the issue.

3. Report any federal audit, corporate management review, and letter of compliance with corrective measures enacted to protect the company's government contracts and legal penalties.

4. Report to shareholders on the race, ethnicity and gender among top management.

5. A description of any policies and programs utilizing the purchase of goods and services from minority- and/or female-owned business enterprises."

Brooke Group is not making any recommendation on this proposal.

ITEM 4 -- USING PROFITS TO DISCOURAGE UNDERAGE SMOKING PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED that shareholders request the Board to devise effective strategies to cease profiting from underage smoking and to strengthen efforts to eliminate underage smoking. In implementing this proposed resolution, shareholders ask the Board to consider:

1. That the 3% of our cigarette/tobacco profits realized from sales to minors be contributed to a third party such as the American Heart Association or the American Cancer Society.

2. This third party would use the funds to run a national anti-smoking advertising campaign aimed at discouraging minors from smoking.

3. The goal of the campaign would be to achieve a substantial reduction in the number of underage smokers.

4. The campaign would be evaluated after three years to determine its effectiveness."

Brooke Group is not making any recommendation on this proposal.

ITEM 5 -- INFANTS AND TOBACCO PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED shareholders request the Board to devise effective strategies to prevent harm to infants from tobacco smoke both before and after their birth." Brooke Group is not making any recommendation on this proposal.

ITEM 6 -- RATING AND CURBING NICOTINE PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED that shareholders request the Board to take steps to preserve the health of its tobacco-using customers. We suggest the following steps:

1. Develop and publicize nicotine ratings for each of our cigarette brands and to [sic] make this available in accurate information to our customers about how much nicotine they consume when smoking.

2. Determine the nicotine level in cigarettes at which nicotine addiction cannot be induced or maintained. With this information, the company shall implement a program that would gradually reduce levels of nicotine in our brands over an appropriate time period to a level that is not addictive. This effort to reduce nicotine availability would be undertaken in collaboration with independent health experts.

3. Develop and market new nicotine or nicotine-like products that have minimal toxic agents that can be used by our consumers in lieu of cigarette smoking, and market these products as drugs or medical devices to help adult smokers quit tobacco use."

Brooke Group is not making any recommendation on this proposal.

ITEM 7 -- NON-TOBACCO SEPARATION PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED: that the shareholders ask management to take the necessary steps to accomplish a separation of the Corporation's non-tobacco business from all its tobacco businesses no later than January 1, 1997." Brooke Group recommends a vote for this proposal.

ITEM 8 -- EXECUTIVE OFFICER COMPENSATION PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED, that the shareholders recommend that the Board refrain from granting any bonuses, stock options, performance accelerated awards or options, deferred compensation, or any other form of monetary or stock award, except base salary, to the top five officers of our Corporation as listed in the Proxy Statement, until such time as our stock price reaches $50 per share." Brooke Group is not making any recommendation on this proposal.

ITEM 9 -- STOCK COMPENSATION FOR DIRECTORS PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED that the shareholders recommend that the board of directors take the necessary steps to ensure that from here forward all non-employee directors should receive a minimum of fifty percent of their total compensation in the form of company stock which cannot be sold for three years." Brooke Group is not making any recommendation on this proposal.

ITEM 10 -- NON-EMPLOYEE DIRECTOR PENSIONS PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED that the shareholders assembled in person and by proxy, recommend (i) that all future non-employee directors not be granted pension benefits and (ii) current non-employee directors voluntarily relinquish their pension benefits." Brooke Group recommends a vote for this proposal.

ITEM 11 -- GOLDEN PARACHUTES PROPOSAL

Brooke Group anticipates that at the Annual Meeting, the stockholders will be asked to vote on the following stockholder proposal: "RESOLVED, that the shareholders recommend that the

board of directors adopt a policy against entering into future agreements with officers and directors of this corporation which provide compensation contingent on a change of control of the corporation, unless such compensation agreements are submitted to a vote of the shareholders and approved by a majority of shares present and voting on the issue." Brooke Group is not making any recommendation on this proposal.

OTHER PROPOSALS

Except as set forth above, Brooke Group is not aware of any proposals to be brought before the Annual Meeting. Should other proposals be brought before the Annual Meeting, the persons named on the BLUE proxy card will abstain from voting on such proposals unless such proposals adversely affect the interests of Brooke Group and/or the Brooke Group Nominees as determined by Brooke Group in its sole discretion, in which event such persons will vote on such proposals at their discretion.

VOTING ON OTHER MATTERS IN ITEMS 2-11

The accompanying BLUE proxy card will be voted in accordance with your instructions on such card. You may vote for or vote against, or abstain from voting on, each of Items 2-11 described above by marking the proper box on the BLUE proxy card. IF YOU HAVE SIGNED THE PROXY CARD AND NO MARKING IS MADE, YOU WILL BE DEEMED TO HAVE GIVEN A DIRECTION TO VOTE THE RJR NABISCO VOTING SECURITIES REPRESENTED BY THE BLUE PROXY CARD FOR ITEMS 2, 7 AND 10 AND TO ABSTAIN FROM VOTING WITH RESPECT TO ITEMS 3, 4, 5, 6, 8, 9 AND 11.

VOTING PROCEDURES

The presence of a majority of the outstanding RJR Nabisco Voting Securities, represented in person or by proxy at the Annual Meeting, will constitute a quorum. RJR Nabisco Voting Securities represented by proxies that are marked "abstain" will be counted as shares present for purposes of determining the presence of a quorum on all matters. Proxies relating to "street name" shares that are voted by brokers on some but not all of the matters will be treated as shares present for purposes of determining the presence of a quorum on all matters, but will not be treated as shares entitled to vote at the Annual Meeting on those matters as to which authority to vote is withheld by the broker ("broker non-votes"). Election of the Brooke Group Nominees requires the affirmative vote of a plurality of the votes cast in the election at the Annual Meeting, assuming a quorum is present or otherwise represented at the Annual Meeting. Accordingly, abstentions and broker non-votes will not affect the outcome of the election. With respect to each of the other matters described herein that will be submitted to the stockholders for a vote, the affirmative vote of the holders of at least a majority of the RJR Nabisco Voting Securities represented in person or by proxy at the Annual Meeting and entitled to vote on the particular matter is required, assuming the presence of a quorum at the Annual Meeting. On any of such other matters, an abstention will have the same effect as a negative vote but, because shares held by brokers will not be considered entitled to vote on matters as to which the brokers withhold authority, broker non-votes will have no effect on the vote.

PROXY PROCEDURES

IN ORDER FOR YOUR VIEWS TO BE REPRESENTED AT THE ANNUAL MEETING, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED BLUE PROXY CARD AND RETURN IT TO BROOKE GROUP, C/O GEORGESON & COMPANY INC. IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE. The accompanying BLUE proxy card will be voted at the Annual Meeting in accordance with your instructions on such card.

Any proxy may be revoked at any time prior to the time a vote is taken by delivering to the secretary of RJR Nabisco a notice of revocation bearing a later date, by a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

Only holders of record as of the close of business on the Record Date will be entitled to vote. If you were a stockholder of record on the Record Date, you will retain your voting rights for the Annual Meeting even if you sell such shares after the Record Date. Accordingly, it is important that you vote the shares held by you on the Record Date, or grant a proxy to vote such shares on the BLUE proxy card, even if you sell such shares after the Record Date.

If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution on the Record Date, only it can vote such Shares and only upon receipt of your specific instructions. Accordingly, please contact the person responsible for your account and instruct that person to execute on your behalf the BLUE proxy card.

SOLICITATION OF PROXIES

Solicitation of proxies may be made by the directors, officers, investor relations personnel and other employees of Brooke Group and certain of its subsidiaries and affiliates, none of whom will receive additional compensation for such solicitation. Proxies may be solicited by mail, courier service, advertisement, telephone or telecopier and in person. Certain information about directors, officers and certain employees of Brooke Group and/or its subsidiaries and affiliates, who may also assist in soliciting proxies, is set forth in the attached Schedule II.

In addition, Brooke Group has retained Georgeson & Company Inc. ("Georgeson") to assist in the solicitation, for which Georgeson is to receive a fee of approximately $150,000, plus reimbursement for its reasonable out-of-pocket expenses. Brooke Group has also agreed to indemnify Georgeson against certain liabilities and expenses, including certain liabilities and expenses under the Federal securities laws. It is anticipated that Georgeson will employ approximately 30 persons to solicit stockholders for the Annual Meeting.

Brooke Group, New Valley and Liggett have engaged Jefferies & Company, Inc. ("Jefferies") to act as financial advisor in connection with New Valley's investment in RJR Nabisco, the completed consent solicitation and this solicitation by Brooke Group. In connection with this engagement, New Valley (i) paid to Jefferies an initial fee of $1,500,000 and (ii) has agreed to pay Jefferies during the period ending April 30, 1996 a monthly fee of $250,000, which monthly fee increased to $500,000 on February 20, 1996 and, in addition, during each of the four months ending April 30, 1996, an additional monthly fee of $100,000. These companies also have agreed to pay Jefferies 10% of the net profit (up to a maximum of $15,000,000) with respect to Common Stock (including any distributions made by RJR Nabisco) held or sold by these companies and their affiliates after deduction of certain expenses, including the costs of this

solicitation, the completed consent solicitation and certain proxy solicitations by the BGL Group and the costs of acquiring the shares of Common Stock (all of which expenses will be borne by New Valley, ALKI or the BGL Group (as defined below)). These companies also agreed that upon (i) the appointment during the term of the agreement as Chairman, President or Chief Executive Officer of RJR Nabisco of either Mr. LeBow or any other designee or representative of Brooke Group, Liggett, New Valley or any of their respective affiliates, or (ii) the election or appointment during the term of the agreement of representatives or designees of Brooke Group, Liggett, New Valley or any of their respective affiliates to represent 50% or more of the membership of RJR Nabisco's Board of Directors then in office, they will pay or cause to be paid to Jefferies a non refundable cash fee of $7,500,000 payable only if and at the time RJR Nabisco either reimburses the companies for or pays directly this fee, unless prohibited by applicable law. In addition, New Valley agreed to reimburse Jefferies for all reasonable out-of-pocket expenses, including the fees and expenses of its counsel, incurred by Jefferies in connection with its engagement and New Valley and Brooke Group agreed to indemnify Jefferies and certain related persons against certain liabilities and expenses. Jefferies will assist in the solicitation of proxies, which will be carried out by a team of individuals consisting of officers, associates and analysts of Jefferies numbering approximately 10 persons.

Banks, brokers, custodians, nominees and fiduciaries will be requested to forward solicitation materials to the beneficial owners of RJR Nabisco Voting Securities. Brooke Group and its affiliates will reimburse these record holders for customary clerical and mailing expenses incurred by them in forwarding these materials to the beneficial owners.

The cost of this solicitation will be borne by New Valley. New Valley has entered into an agreement with Brooke Group pursuant to which it has agreed to pay directly or reimburse Brooke Group and its subsidiaries for reasonable out-of-pocket expenses incurred in connection with pursuing the proposals in Brooke Group's recent consent solicitation and in connection with this solicitation. New Valley has also agreed to pay to BGLS a fee of 20% of the net profit received by New Valley or its subsidiaries from the sale of shares of Common Stock after achieving a rate of return of 20% and after deduction of certain expenses, including the costs of this solicitation and Brooke Group's recent consent solicitation and of acquiring the shares of Common Stock. New Valley has also agreed to indemnify Brooke Group against certain liabilities arising out of the solicitation. Brooke Group, or New Valley, as applicable, will seek reimbursement for such expenses from RJR Nabisco, which issue will not be submitted to a vote of security-holders. Costs related to the solicitation of proxies include expenditures for attorneys, accountants, public relations or financial advisers, solicitors, advertising, printing, transportation, litigation and related expenses and filing fees, and to date are approximately $2 million and are expected to be approximately $7 million (not including certain contingent fees based upon the outcome of this solicitation).

CERTAIN LEGAL PROCEEDINGS

On November 20, 1995, Brooke Group filed an action against RJR Nabisco and its tobacco subsidiary R.J. Reynolds Tobacco Company ("RJ Reynolds") in the United States District Court of the Southern District of Florida. In the action, Brooke Group is seeking a declaratory judgment that the Brooke Group Nominees are not barred from serving as directors of RJR Nabisco under the terms of Section 8 of the Clayton Act, 15 U.S.C. ss.19 (the "Clayton Act"). Brooke Group brought the action because it anticipated that RJR Nabisco would commence litigation under the Clayton Act in an attempt to interfere with Brooke Group's right to nominate and/or elect a slate of directors committed to an immediate spinoff of Nabisco. Brooke Group believes that any such

potential litigation would be meritless. Brooke Group filed an amended complaint on January 29, 1996 to supplement the allegations. RJ Reynolds filed a motion to dismiss the amended complaint on February 16, 1996.

On November 20, 1995, RJR Nabisco filed an action against Brooke Group, Mr. LeBow and Mr. Icahn in the United States District Court for the Middle District of North Carolina. In that action, RJR Nabisco alleges that Brooke Group, LeBow and Icahn violated sections 14(a) and 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 14a-9 and 10b-5 promulgated thereunder, by allegedly making materially false or incomplete statements concerning the purpose and background of the consent solicitation with respect to the Spinoff Resolution. RJR Nabisco sought temporary and permanent injunctions barring Brooke Group, LeBow and Icahn from proceeding with the consent solicitation until such time as they remedied the alleged disclosure obligation violations. Brooke Group delivered its blue consent cards with respect to its consent solicitation to RJR Nabisco on February 20, 1996. RJR Nabisco alleged that Brooke Group, LeBow and Icahn secretly attempted to form a group of investors to purchase a 21% interest in RJR Nabisco on the open market, with the ultimate goal of combining the tobacco businesses of RJR Nabisco and Brooke Group. According to the complaint, the principal purpose for such a combination is to eliminate certain alleged actual or potential issues with which Brooke Group and/or New Valley may be confronted under the Investment Company Act of 1940. Mr. LeBow is alleged to have met with persons involved in the international tobacco business in furtherance of this claimed secret plan. Brooke Group and Mr. LeBow filed a motion to dismiss or transfer the North Carolina action on December 13, 1995. On December 20, 1995, Brooke Group and Mr. LeBow filed an answer to the Complaint and filed a counterclaim in this action. All defendants denied RJR Nabisco's allegations, and Brooke Group and Mr. LeBow alleged in their counterclaim that RJR Nabisco violated Section 14(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder, by making false and misleading statements in, and by omitting material information from, communications and disclosures to stockholders in opposition to Brooke Group's consent solicitation. The relief sought includes RJR Nabisco and its affiliates being preliminarily and permanently enjoined from soliciting stockholders either to grant revocations of consent or to withhold consents from Brooke Group. RJR Nabisco's allegations directly contradict the repeated public statements made by Mr. LeBow that the sole purpose of the consent solicitation was to ask the stockholders of RJR Nabisco to inform RJR Nabisco's Board that they desire an immediate spinoff of Nabisco. On February 12, 1996 Brooke Group amended its counterclaim to supplement the allegations.

CERTAIN INFORMATION REGARDING BROOKE GROUP

Brooke Group is principally engaged, through its indirect ownership of Liggett, in the manufacture and sale of cigarettes and, through its investment in New Valley, in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies. Brooke Group also has investments in a number of additional companies engaged in a diverse group of businesses. The principal executive offices of Brooke Group are located at 100 S.E. Second Street, Miami, Florida 33131.

Brooke Group beneficially owns, directly, 200 shares of Common Stock. Brooke Group beneficially owns 100% of the outstanding capital stock of BGLS, which beneficially owns 100% of the outstanding capital stock of Liggett. Liggett beneficially owns, directly, 200 shares of Common Stock and beneficially owns, directly, 1,000 shares of Class A Common Stock, par

value $.01 per share, of Nabisco. In addition, BGLS directly and indirectly owns 618,326 Class A Senior Preferred Shares (approximately 60% of such class), 250,885 Class B Preferred Shares (approximately 9% of such class) and 79,794,229 Common Shares (approximately 42% of such class), of New Valley, which beneficially owns all of the outstanding capital stock of ALKI Corp., a subsidiary of New Valley ("ALKI"), which beneficially owns, directly, 5,161,750 shares of Common Stock, or approximately 1.9% of the outstanding Common Stock. Bennett S. LeBow, who is the Chairman of the Board, President and Chief Executive Officer of Brooke Group and of BGLS, may be deemed to be the beneficial owner of 10,451,208 shares of common stock of Brooke Group, or approximately 56.5% of Brooke Group's outstanding common stock, and thus may be deemed to control Brooke Group. The disclosure of this information shall not be construed as an admission that Mr. LeBow is the beneficial owner of any of the Common Stock owned by Brooke Group, BGLS, New Valley, ALKI and/or Liggett either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

Likewise, Brooke Group beneficially owns 200 shares of Common Stock directly, and may be deemed to beneficially own, indirectly, the 5,161,750 shares of Common Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that Brooke Group is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

For the same reasons, BGLS may be deemed to beneficially own, indirectly, the 5,161,750 shares of Common Stock owned by ALKI and the 200 shares of Common Stock owned by Liggett. The disclosure of this information shall not be construed as an admission that BGLS is the beneficial owner of any of the Common Stock owned by ALKI and/or Liggett, either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

On October 17, 1995, Brooke Group and BGLS entered into the High River Agreement with High River, an entity owned by Carl C. Icahn. High River, and two of its affiliates also owned by Mr. Icahn, beneficially own 8,897,900 shares of Common Stock. High River agreed in the High River Agreement to grant a written consent to Brooke Group's proposals in its consent solicitation with respect to all shares of Common Stock held by it, and to grant a proxy with respect to all such shares at the 1996 annual meeting for a slate of directors committed to effect the spinoff. Brooke Group and BGLS agreed in the High River Agreement to include, in any solicitation statement relating to any solicitation of (i) stockholder demands to call a special meeting, (ii) written consents or (iii) proxies, in respect of a proposal to elect an opposing slate of directors, a pledge to the effect that Brooke Group, BGLS and their affiliates (the "BGL Group") (A) will not engage in certain mergers, material sales of stock or assets or other transactions (including a sale of Liggett or shares of Common Stock to RJR Nabisco) providing a material benefit to the BGL Group not available to other stockholders of RJR Nabisco (each, a "Business Combination"), other than a Business Combination consummated simultaneously with or subsequent to a spinoff of RJR Nabisco's remaining equity interest in Nabisco or another transaction providing substantially equivalent value to stockholders ("Permitted Business Combination") (I) prior to the 1996 annual meeting of RJR Nabisco stockholders, or earlier if the BGL Group is unsuccessful in (a) a solicitation of stockholder demands to call a special meeting, (b) a solicitation of consents or proxies to approve certain proposals or (c) having its nominees elected to constitute a majority of

RJR Nabisco's directors, or (II) during such time as nominees of the BGL Group constitute a majority of the directors of RJR Nabisco; (B) prior to the consummation of a spinoff of Nabisco, will not exercise management control over Nabisco or Nabisco, Inc. or become involved in the ordinary course of its business and will use its best efforts to ensure that a majority of the present directors of Nabisco and Nabisco, Inc. remain as directors; and (C) will halt any solicitation of stockholders demands, consents or proxies if the RJR Nabisco Board effects a spinoff of Nabisco or a substantially equivalent transaction. Similarly, High River agreed not to engage in or propose any Business Combination prior to the earliest of (x) the later of the 1997 annual meeting of stockholders of RJR Nabisco and the first anniversary of the termination of the High River Agreement (the "Reference Date"), (y) any termination of the High River Agreement that occurs at or after certain termination events relating to failures or an inability to effect the transactions contemplated by the High River Agreement ("Termination Events") and (z) any termination of the High River Agreement by Brooke Group or BGLS, or the New Valley Agreement (as defined below) by New Valley or ALKI, at a time when High River is not in material breach of its obligations.

The High River Agreement will automatically terminate on October 17, 1996 or upon the earlier termination of the New Valley Agreement (as defined below) by High River. In addition, any party to the High River Agreement may terminate it at any time, although the terminating party will be required to pay a fee of $50 million to the nonterminating party if no Termination Event has occurred and the nonterminating party is not in material breach of its obligations. The High River Agreement also provides that any party may terminate the High River Agreement and be entitled to receive a fee of $50 million from the nonterminating party if the nonterminating party is in material breach of its obligations and no Termination Event has occurred. The High River Agreement further provides that BGLS will be required to pay a $50 million fee to High River upon the consummation of a Business Combination (including a Permitted Business Combination) between the BGL Group and RJR Nabisco if (x) such Business Combination is consummated prior to the Reference Date, (y) a legally binding agreement to enter into a Business Combination is entered into prior to the Reference Date and such Business Combination is consummated prior to the second anniversary of the date of such agreement or (z) nominees of BGL are elected to constitute a majority of the directors of RJR Nabisco prior to the Reference Date and a Business Combination is consummated prior to the fifth anniversary of the date of such election. Finally, the High River Agreement provides that High River will be entitled to a payment equal to 20% of the net profit with respect to Common Stock held or sold by New Valley, ALKI or the BGL Group, after deduction of certain expenses, including the costs of the consent solicitation and certain proxy solicitations by the BGL Group and the costs of acquiring the shares of the Common Stock (all of which expenses will be borne by New Valley, ALKI or the BGL Group). Notwithstanding any such termination, the obligations of the BGL Group and of High River not to engage in a Business Combination with RJR Nabisco or the other activities described above will continue for the periods described above.

Also on October 17, 1995, New Valley and ALKI, a subsidiary of New Valley, entered into a separate agreement with High River, as amended (the "New Valley Agreement"). Pursuant to the New Valley Agreement, New Valley sold 1,611,550 shares of Common Stock to High River for an aggregate purchase price of $51,000,755, thereby approximately equalizing the number of shares of Common Stock and total investment therein by the parties. In addition, the parties agreed that each of New Valley and ALKI, on the one hand, and High River and its affiliates, on the other

hand, would invest up to approximately $150 million in shares of Common Stock, and may invest up to approximately $250 million in shares of Common Stock in order to maximize profits. The obligations of the parties to make any investments is subject to their ability to obtain and maintain margin loans (using the shares of Common Stock purchased by them as collateral) to fund the purchases, and to certain provisions of the New Valley Agreement which do not require any party to purchase shares of Common Stock to the extent the purchase price would exceed certain hurdles ($35.50 per share in respect of the first $150 million in investments by each party, and $31.00 per share in respect of the next $100 million in investments). New Valley and ALKI also agreed in the New Valley Agreement to grant a stockholder demand, written consent or proxy with respect to all shares of Common Stock held by them in the event that Brooke Group or BGLS seeks to call a special meeting of stockholders, obtain the approval of any of Brooke Group's consent solicitation proposals or replace the Incumbent Board at the 1996 annual meeting of stockholders. The New Valley Agreement automatically terminates at the same time, and is subject to earlier termination by the parties under the same circumstances as the High River Agreement. The parties to the New Valley Agreement are required to pay fees in the same amounts and generally under the same circumstances as described above under the High River Agreement, although the fees payable to a party under the High River Agreement generally will be offset by fees paid to such party under the New Valley Agreement, and fees payable to a party under the New Valley Agreement generally will be offset by fees paid to such party under the High River Agreement.

On February 29, 1996, New Valley entered into a total return equity swap transaction with Internationale Nederlanden (U.S.) Capital Markets, Inc. (the "Counterparty") relating to 1,000,000 shares of Common Stock. The transaction is for a period of up to six months, subject to earlier termination at the election of New Valley, and provides for New Valley to make a payment to the Counterparty of approximately $1.52 million upon commencement of the swap. At the termination of the transaction, if the price of the Common Stock during a specified period prior to such date (the "Final Price") exceeds the price of the Common Stock during a specified period following the commencement of the swap (the "Initial Price"), the Counterparty will pay New Valley an amount in cash equal to the amount of such appreciation with respect to 1,000,000 shares of Common Stock plus the value of any dividends with a record date occurring during the swap period. If the Final Price is less than the Initial Price, then New Valley will pay the Counterparty at the termination of the transaction an amount in cash equal to the amount of such decline with respect to 1,000,000 shares of Common Stock, offset by the value of any dividends, provided that, with respect to approximately 400,000 shares of Common Stock, New Valley will not be required to pay any amount in excess of an approximate 25% decline in the value of the shares. If the Initial Price differs from $34.25 per share, New Valley or the Counterparty, as the case may be, will make an adjustment payment to the other on March 14, 1996 in respect of that difference. The potential obligations of the Counterparty under the swap are being guaranteed by ING Bank N.V., and New Valley has pledged certain collateral in respect of its potential obligations under the swap and has agreed to pledge additional collateral under certain conditions.

Brooke Group, along with its wholly-owned subsidiary BGLS, is hereby pledging to the stockholders of RJR Nabisco that it will terminate this solicitation if, prior to the Annual Meeting, the Incumbent Board irrevocably declares a dividend or other distribution to RJR Nabisco stockholders of all or substantially all of RJR Nabisco's remaining equity interest in Nabisco or

makes a legally binding commitment to engage in another transaction with respect to RJR Nabisco's investment in Nabisco providing substantially equivalent economic benefits to stockholders.

Brooke Group, along with BGLS, is hereby pledging to the stockholders of RJR Nabisco that the BGL Group will not engage in a Business Combination, other than a Permitted Business Combination, at any time prior to the Annual Meeting or during such time as the Brooke Group Nominees constitute a majority of the directors of RJR Nabisco.

ADDITIONAL INFORMATION

Certain information regarding RJR Nabisco Voting Securities held by RJR Nabisco's Directors, nominees, management and 5% stockholders is contained in RJR Nabisco's Proxy Statement and is incorporated herein by reference. Information concerning the date by which proposals of security holders intended to be presented at the next annual meeting of stockholders of RJR Nabisco must be received by RJR Nabisco for inclusion in RJR Nabisco's proxy statement and form of proxy for that meeting is also contained in RJR Nabisco's Proxy Statement and is incorporated herein by reference.

Brooke Group assumes no responsibility for the accuracy or completeness of any information contained herein which is based on, or incorporated by reference to, RJR Nabisco's Proxy Statement.

BROOKE GROUP LTD.

March 1, 1996

SCHEDULE I

SHARES HELD BY BROOKE GROUP, ITS DIRECTORS AND EXECUTIVE OFFICERS, CERTAIN EMPLOYEES OF BROOKE GROUP, THE BROOKE GROUP NOMINEES AND CERTAIN OTHER PERSONS WHO ARE OR MAY BE PARTICIPANTS IN THIS SOLICITATION, AND CERTAIN TRANSACTIONS BETWEEN ANY OF THEM AND RJR NABISCO

Certain information relating to the ownership of RJR Nabisco Voting Securities by Brooke Group, BGLS, New Valley, ALKI, Liggett and Mr. LeBow is set forth under "Certain Information Regarding Brooke Group." Additionally, Mr. Chakalian, who is the Chairman of the Board, President and Chief Executive Officer of Liggett, may be deemed to beneficially own the shares of Common Stock beneficially owned by Liggett. The disclosure of this information shall not be construed as an admission that Mr.Chakalian is the beneficial owner of any of the Common Stock owned by Liggett either for purposes of Section 13(d) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed.

Mr. Lampen beneficially owns directly 2,000 shares of Common Stock. Dr. Starbuck beneficially owns directly 1,000 shares of Common Stock. Mr. Strauss beneficially owns directly 1,000 shares of Common Stock, as the trustee of a trust. High River, and two of its affiliates also owned by Mr. Icahn, beneficially owns 8,897,900 shares of Common Stock, and therefore, Mr. Icahn may be deemed to beneficially own, indirectly, such shares of Common Stock.

Except as disclosed in this Proxy Statement, none of Brooke Group, New Valley, BGLS, Liggett, ALKI, the Brooke Group Nominees or any other person named in Schedule II owns any securities of RJR Nabisco or any parent or subsidiary of RJR Nabisco, beneficially or of record, or is or was within the past year a party to any contract, arrangement or understanding with any person with respect to any such securities. Except as disclosed in this Proxy Statement, to the knowledge of Brooke Group, New Valley, BGLS, Liggett, ALKI, the Brooke Group Nominees and the persons named in Schedule II, none of their associates beneficially owns, directly or indirectly, any securities of RJR Nabisco.

Except as disclosed in this Proxy Statement, none of Brooke Group, New Valley, BGLS, Liggett, ALKI, the Brooke Group Nominees or any other person named in Schedule II, or to their knowledge, any of their associates, has any arrangements or understandings with any person with respect to (1) any future employment by RJR Nabisco or its affiliates or (2) any future transactions to which RJR Nabisco or any of its affiliates will or may be a party, nor had or will have a direct or indirect material interest in any transaction or series of similar transactions since the beginning of RJR Nabisco's last fiscal year, or any currently proposed transaction or series of similar transactions, to which RJR Nabisco or any of its subsidiaries was or is to be a party and in which the amount involved exceeds $60,000.

In connection with its tobacco business, Liggett conducts business with certain subsidiaries of RJR Nabisco. As of November 1, 1995, Liggett has entered into an agreement with R.J. Reynolds Tobacco Company ("RJ Reynolds") an indirect subsidiary of RJR Nabisco. Pursuant to this agreement, RJ Reynolds has agreed to process tobacco products provided by Liggett into reconstituted sheet tobacco. Liggett is obligated to pay to RJ Reynolds between $1.7 million and $2.5 million during the term of the agreement, which expires on December 31, 1996, unless extended or renewed. Liggett and RJR Packaging ("RJR Packaging") have entered into supply agreements whereby RJR Packaging has agreed to supply certain specified cigarette foil liner stock ("foil") from February 1, 1995 through approximately December 31, 1996 to Liggett. Liggett will likely pay RJR Packaging $180,000 per month for foil pursuant to this agreement.

The following table sets forth information relating to RJR Nabisco Voting Securities purchased or sold within the past two years by the following persons:

Date	Number of Shares Purchased	Number of Shares Sold
1. NEW VALLEY CORPORATION		
02/24/95	200,000(1)(4)	
02/27/95	200,000(1)(4)	
03/01/95	100,000(1)(4)	
03/02/95	12,900(1)(4)	
03/06/95	100,000(2)(4)	
	1,000(2)(3)	
	108,600(1)(4)	
03/16/95		1,000(2)(3)
07/28/95	200,000(4)	
2. ALKI CORP. (5)		
08/30/95	295,700	
08/31/95	200,000	
09/06/95	175,600	
09/07/95	300,000	
09/11/95	9,800	
09/12/95	200,000	
09/13/95	300,000	
09/15/95	227,500	
09/18/95	76,900	
09/19/95	700,000	
09/25/95	150,000	
09/27/95	200,300	
09/28/95	25,200	
09/29/95	100,000	
10/02/95	130,000	
10/03/95	50,000	
10/04/95	50,000	
10/05/95	150,000	
10/09/95	425,000	
10/10/95	75,000	
10/11/95	138,100	
10/18/95	275,000	
10/20/95	150,000	
		1,611,550(9)
10/23/95	650,000	
10/24/95	950,000	
10/26/95	200,000	
		621,500(1)
02/22/96	116,700	
02/23/96	100,000	
02/26/96	52,500	
3. LIGGETT GROUP INC.		
03/01/95	200(2)	
4. BROOKE GROUP LTD.		
11/15/95	200	
5. WILLIAM STARBUCK		
11/14/95	1,000	

Date	Number of Shares Purchased	Number of Shares Sold
6. RICHARD LAMPEN		
11/13/95	2,000	
7. PETER STRAUSS		
2/6/96	400	
8. HIGH RIVER LIMITED PARTNERSHIP(6)		
7/21/95	160,000(7)	
	140,000(8)	
7/24/95	46,100	
7/25/95	35,000	
7/26/95	100,000	
7/27/95	124,000	
7/31/95	68,000	
8/01/95	84,200	
8/02/95	20,100	
8/03/95	83,000(7)	
8/04/95	11,100(7)	
8/07/95	7,000(7)	
8/14/95	50,000(7)	
8/21/95	87,400(7)	
8/22/95	135,000(7)	
8/23/95	5,000	
8/24/95	25,000	
8/25/95	25,000	
10/19/95	146,700	
10/20/95	1,779,650(9)	
10/23/95	667,300	
10/24/95	900,450	
10/25/95	998,000	
10/26/95	1,366,000	
10/27/95	949,000	
2/21/96	150,000	
2/22/96	257,500	
2/26/96	52,500	
2/28/96	105,500	
2/29/96	319,400	

Unless noted by either (1) or (3), securities traded are Common Stock.

(1) Securities are PERCS.

(2) Number of shares of Common Stock restated to reflect the April 12, 1995 one-for-five reverse split.

(3) Securities are Common Stock Call Options.

(4) New Valley subsequently transferred such securities to ALKI on or about September 22, 1995.

(5) ALKI's RJR Nabisco Voting Securities are contained in a margin account in the regular course of business of a broker in connection with the purchases listed in the table. As of February 29, 1996, $83,143,846 of this indebtedness was outstanding.

(6) On December 21, 1995, High River loaned to an affiliate 2,951,000 shares of RJR Nabisco Voting Securities to further collateralize such affiliate's line of bank credit. The balance of High River's shares of RJR Nabisco Voting Securities are contained in margin accounts in the regular course of business, at various broker dealers.

(7) Securities purchased through Riverdale Investors Corp., an affiliate of High River.

(8) Securities purchased through Barberry Corp., an affiliate of High River.

(9) Pursuant to the terms of the New Valley Agreement.

SCHEDULE II

INFORMATION CONCERNING THE DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN EMPLOYEES OF BROOKE GROUP, AND OTHER PARTICIPANTS.

The following table sets forth the name and the present principal occupation or employment, and the name, principal business and address of any corporation or other organization in which such employment is carried on, of (1) the directors, executive officers and certain employees of Brooke Group and (2) other persons who may be deemed participants in the solicitation. Unless otherwise indicated, the principal business address of each director, executive officer, employee or other listed person is 100 S.E. Second Street, Miami, Florida 33131.

DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN EMPLOYEES OF BROOKE GROUP

Name and Principal Business Address	Present Office or Other Principal Occupation or Employment
Bennett S. LeBow	Chairman of the Board, President and Chief Executive Officer of Brooke Group. Chairman of the Board, President and Chief Executive Officer of BGLS. Member of the Board of Directors of Liggett. Chairman of the Board and Chief Executive Officer of New Valley.
Gerald E. Sauter	Vice President, Chief Financial Officer and Treasurer of Brooke Group. Vice President, Chief Financial Officer and Treasurer of BGLS. Vice President, Chief Financial Officer and Treasurer and member of the Board of Directors of New Valley.
Robert J. Eide ..... 70 E. Sunrise Hwy Valley Stream, NY 11581	Director of Brooke Group. Director of BGLS. Secretary and Treasurer of Aegis Capital Corp., a registered broker-dealer.
Jeffrey S. Podell ..... 26 Jefferson St. Passaic, NJ 07055	Director of Brooke Group. Director of BGLS. Chairman of the Board and President of Newsote, Inc., parent of Pantasote, Inc., a former manufacturer of plastic products.
Andrew E. Balog	Associate General Counsel and Assistant Secretary of Brooke Group. Associate General Counsel and Assistant Secretary of BGLS and New Valley.
Marc N. Bell	General Counsel and Secretary of Brooke Group. Associate General Counsel and Secretary of New Valley. Secretary of BGLS.
J. Bryant Kirkland, III.	Director of Financial Research and Analysis of New Valley Corporation.
Robert M. Lundgren	Controller of New Valley.

OTHER PERSONS WHO MAY BE DEEMED PARTICIPANTS

Name and Principal Business Address	Present Office or Other Principal Occupation or Employment
Carl C. Icahn ACF Industries, Incorporated 620 N. Second Street St. Charles, Missouri 63301	Chairman of Board and Chief Executive Officer.
Karen Eisenbud Brooke Group Ltd. 1285 Avenue of the Americas 33rd Floor New York, NY 10019	Consultant.
Seth Lemler Brooke Group Ltd. 1285 Avenue of the Americas 33rd Floor New York, NY 10019	Consultant.
Howard M. Lorber New Valley Corporation 100 S.E. Second Street Miami, FL 33131	President and Chief Operating Officer.
Michael Wainstein. Brooke Group Ltd. 1285 Avenue of the Americas 33rd Floor New York, NY 10019	Consultant.
Jorden Podell Brooke Group Ltd. 1285 Avenue of the Americas 33rd Floor New York, NY 10019	Consultant.
High River Limited Partnership c/o Icahn Associates Corp. 114 West 47th Street Suite 1925 New York, NY 10036	Company engaged in investing in securities of various companies.
BGLS Inc.	Company engaged through subsidiaries in the manufacture and sale of cigarettes, and through its investment in New Valley in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies.
Liggett Group Inc. 700 West Main St. Durham, NC 27701	Company engaged in the manufacture and sale of cigarettes.
New Valley Corporation	Company engaged in the investment banking and brokerage business, ownership and management of commercial real estate and the acquisition of operating companies.
Ronald Fulford 10 Fawns Leap Cuddington, Nr. Northwich Cheshire CW8 2UF England	Consultant.

IMPORTANT

1. If your shares are held in your own name, please mark, date and mail the enclosed BLUE proxy card to our Information Agent, Georgeson & Company Inc., in the postage-paid envelope provided.

2. If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can vote such shares and only upon receipt of your specific instructions. Accordingly, you should contact the person responsible for your account and give instructions for a BLUE proxy card to be signed representing your shares.

3. If you have already submitted a proxy to RJR Nabisco for the Annual Meeting, you may change your vote to a vote FOR the election of the Brooke Group Nominees by marking, signing, dating and returning the enclosed BLUE proxy card for the Annual Meeting, which must be dated after any proxy you may have submitted to RJR Nabisco. ONLY YOUR LATEST DATED PROXY FOR THE ANNUAL MEETING will count at such meeting.

If you have any questions or require any assistance, please call Georgeson & Company Inc. at the following number:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, New York 10005
Toll Free: 1-800-SPINOFF

Banks and Brokerage Firms, please call collect:
(212) 440-9800

INTERNET INFORMATION

To access more information about our solicitation on the World Wide Web, use the following address:

http://www.georgeson.com

or

http://www.brookegroup.com

PROXY CARD

RJR NABISCO HOLDINGS CORP.
1996 ANNUAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED BY BROOKE GROUP LTD.

The undersigned is the record holder of Common Stock, par value $.01 per share (the "Shares"), of RJR Nabisco Holdings Corp. and hereby appoints each of Bennett S. LeBow, Howard M. Lorber and Marc N. Bell and each of them with full power of substitution, for and in the name of the undersigned, to represent and to vote, as designated below, all Shares that the undersigned is entitled to vote if personally present at the 1996 Annual Meeting of Stockholders of RJR Nabisco Holdings Corp., and at any adjournment, postponement or rescheduling thereof. The undersigned hereby revokes any previous proxies with respect to the matters covered by this Proxy.

This Proxy, when properly executed, will be voted in the manner marked herein by the undersigned stockholder. IF NO MARKING IS MADE, THIS PROXY WILL BE DEEMED TO BE A DIRECTION TO VOTE FOR ALL BROOKE GROUP NOMINEES IN ITEM 1, FOR THE PROPOSALS LISTED IN ITEMS 2, 7 AND 10 AND TO ABSTAIN FROM VOTING ON ITEMS 3, 4, 5, 6, 8, 9 AND 11.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE.)

[X] PLEASE MARK YOUR VOTE AS IN THIS EXAMPLE.
BROOKE GROUP LTD. RECOMMENDS A VOTE FOR ITEMS 1, 2, 7 AND 10.

1. Election of Arnold I. Burns, Rouben V. Chakalian, Robert L. Frome, Dale M. Hanson, Richard J. Lampen, Bennett S. LeBow, Barry W. Ridings, William H. Starbuck, Peter Strauss and Frederick W. Zuckerman as directors whose terms expire in 1997.

FOR all nominees (except as marked below) [ ] WITHOLD AUTHORITY for all nominees [ ]

(INSTRUCTION: To withhold authority to vote for one or more nominees, mark FOR above and print the name(s) of the person(s) with respect to whom you wish to withhold authority in the space provided below.)
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2. Ratification of Auditors	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
3. Equal Employment Reporting Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
4. Discourage Underage Smoking Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
5. Infants and Tobacco Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
6. Rating and Curbing Nicotine Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
7. Non-Tobacco Separation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
8. Executive Officer Compensation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
9. Stock Compensation for Directors Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
10. Non-Employee Director Pensions Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
11. Golden Parachutes Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]

When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

Signature(s) of Stockholder(s) Date

Title, if any

PROXY CARD SERIES C

RJR NABISCO HOLDINGS CORP.
1996 ANNUAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED BY BROOKE GROUP LTD.

The undersigned is the record holder of shares of Series C Conversion Preferred Stock, par value $.01 per share (the "Shares"), of RJR Nabisco Holdings Corp. and hereby appoints each of Bennett S. LeBow, Howard M. Lorber and Marc N. Bell and each of them with full power of substitution, for and in the name of the undersigned, to represent and to vote, as designated below, all Shares that the undersigned is entitled to vote if personally present at the 1996 Annual Meeting of Stockholders of RJR Nabisco Holdings Corp., and at any adjournment, postponement or rescheduling thereof. The undersigned hereby revokes any previous proxies with respect to the matters covered by this Proxy.

This Proxy, when properly executed, will be voted in the manner marked herein by the undersigned stockholder. IF NO MARKING IS MADE, THIS PROXY WILL BE DEEMED TO BE A DIRECTION TO VOTE FOR ALL BROOKE GROUP NOMINEES IN ITEM 1, FOR THE PROPOSALS LISTED IN ITEMS 2, 7 AND 10 AND TO ABSTAIN FROM VOTING ON ITEMS 3, 4, 5, 6, 8, 9 AND 11.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE.)

[X] PLEASE MARK YOUR VOTE AS IN THIS EXAMPLE.
BROOKE GROUP LTD. RECOMMENDS A VOTE FOR ITEMS 1, 2, 7 AND 10.

1. Election of Arnold I. Burns, Rouben V. Chakalian, Robert L. Frome, Dale M. Hanson, Richard J. Lampen, Bennett S. LeBow, Barry W. Ridings, William H. Starbuck, Peter Strauss and Frederick W. Zuckerman as directors whose terms expire in 1997.

FOR all nominees (except as marked below) [ ] WITHOLD AUTHORITY for all nominees [ ]

(INSTRUCTION: To withhold authority to vote for one or more nominees, mark FOR above and print the name(s) of the person(s) with respect to whom you wish to withhold authority in the space provided below.)

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2. Ratification of Auditors	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
3. Equal Employment Reporting Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
4. Discourage Underage Smoking Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
5. Infants and Tobacco Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
6. Rating and Curbing Nicotine Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
7. Non-Tobacco Separation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
8. Executive Officer Compensation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
9. Stock Compensation for Directors Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
10. Non-Employee Director Pensions Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
11. Golden Parachutes Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]

When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

Signature(s) of Stockholder(s) Date

Title, if any

PROXY CARD ESOP

RJR NABISCO HOLDINGS CORP.
1996 ANNUAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED BY BROOKE GROUP LTD.

The undersigned is the record holder of shares of ESOP Convertible Preferred Stock, par value $.01 per share and stated value $16 per share (the "Shares"), of RJR Nabisco Holdings Corp. and hereby appoints each of Bennett S. LeBow, Howard M. Lorber and Marc N. Bell and each of them with full power of substitution, for and in the name of the undersigned, to represent and to vote, as designated below, all Shares that the undersigned is entitled to vote if personally present at the 1996 Annual Meeting of Stockholders of RJR Nabisco Holdings Corp., and at any adjournment, postponement or rescheduling thereof. The undersigned hereby revokes any previous proxies with respect to the matters covered by this Proxy.

This Proxy, when properly executed, will be voted in the manner marked herein by the undersigned stockholder. IF NO MARKING IS MADE, THIS PROXY WILL BE DEEMED TO BE A DIRECTION TO VOTE FOR ALL BROOKE GROUP NOMINEES IN ITEM 1, FOR THE PROPOSALS LISTED IN ITEMS 2, 7 AND 10 AND TO ABSTAIN FROM VOTING ON ITEMS 3, 4, 5, 6, 8, 9 AND 11.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE.)

[X] PLEASE MARK YOUR VOTE AS IN THIS EXAMPLE.
BROOKE GROUP LTD. RECOMMENDS A VOTE FOR ITEMS 1, 2, 7 AND 10.

1. Election of Arnold I. Burns, Rouben V. Chakalian, Robert L. Frome, Dale M. Hanson, Richard J. Lampen, Bennett S. LeBow, Barry W. Ridings, William H. Starbuck, Peter Strauss and Frederick W. Zuckerman as directors whose terms expire in 1997.

FOR all nominees (except as marked below) [ ] WITHOLD AUTHORITY for all nominees [ ]

(INSTRUCTION: To withhold authority to vote for one or more nominees, mark FOR above and print the name(s) of the person(s) with respect to whom you wish to withhold authority in the space provided below.)

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2. Ratification of Auditors	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
3. Equal Employment Reporting Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
4. Discourage Underage Smoking Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
5. Infants and Tobacco Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
6. Rating and Curbing Nicotine Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
7. Non-Tobacco Separation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
8. Executive Officer Compensation Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
9. Stock Compensation for Directors Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
10. Non-Employee Director Pensions Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]
11. Golden Parachutes Proposal	FOR [ ]	AGAINST [ ]	ABSTAIN [ ]

When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign a partnership name by authorized person.

Signature(s) of Stockholder(s) Date

Title, if any

AGREEMENT

This AGREEMENT among Brooke Group Ltd., a Delaware corporation ("BGL"), BGLS Inc., a Delaware corporation and a direct wholly owned subsidiary of BGL ("BGLS"), and High River Limited Partnership, a Delaware limited partnership ("High River"), dated October 17, 1995

W I T N E S S E T H:

WHEREAS, High River, directly or indirectly, and BGL and BGLS, indirectly through their ownership of stock of New Valley Corporation, a New York corporation ("New Valley"), are stockholders of RJR Nabisco Holdings Corp., a Delaware corporation ("RJRN");

WHEREAS, the parties hereto believe that the value of RJRN stockholders' investment can be substantially increased through a spinoff (the "Spinoff") of all or substantially all of RJRN's remaining investment in Nabisco Holding Corp., a Delaware corporation ("Nabisco");

WHEREAS, BGL and BGLS desire to obtain the assistance and advice of High River with respect to measures designed to effectuate the Spinoff at the earliest possible date;

WHEREAS, High River is willing to give such assistance and advice to BGL and BGLS in consideration of the agreements by BGL and BGLS set forth herein;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises set forth herein, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Solicitation of Other Investors and RJRN Stockholders. (a) Each of the parties hereto intends to use its best efforts to encourage other investors to acquire shares of common stock, par value $.01 per share ("Shares"), of RJRN and to persuade such investors and other major stockholders of RJRN to cooperate with the parties hereto in order to cause RJRN to effectuate the Spinoff. The parties hereto anticipate that, as an inducement to such investors and stockholders, the parties hereto may enter into binding contractual arrangements with such investors and stockholders on terms which may but need not be

similar to the terms of this Agreement, and that this Agreement may be amended amended or supplemented from time to time to reflect such arrangements. The parties hereto agree that, in the event any party hereto proposes to enter into any such contractual arrangement or so to amend or supplement this Agreement, the parties hereto shall attempt in good faith to reach mutually acceptable terms with respect to any such proposed arrangement, amendment or supplement.

(b) BGL and BGLS intend to seek RJRN stockholder approval, either at RJRN's 1996 annual meeting of stockholders (the "1996 Annual Meeting") or at a special meeting of RJRN stockholders (a "Special Meeting") or through action by written consent of the RJRN stockholders without a meeting, of any or all of the following proposals (the "Proposals"): (i) a proposal to recommend that the Board of Directors of RJRN (the "RJRN Board") cause RJRN to effectuate the Spinoff (the "Spinoff Proposal"), (ii) a proposal to remove the entire RJRN Board and to elect as directors of RJRN a slate of nominees who shall be selected by BGL (the "BGL Nominees") and who shall pledge to carry out the Spinoff as promptly as practicable following their election (the "Election Proposal"), (iii) a proposal for the combination, incident to the Spinoff, of the tobacco business of Liggett Group Inc., a Delaware corporation ("Liggett"), with the tobacco business of RJRN and (iv) a proposal to amend the by-laws of RJRN in any manner that may be necessary in order to ensure that RJRN stockholders are permitted to call a Special Meeting and to vote freely at such Special Meeting or at the 1996 Annual Meeting on any or all of the Proposals, or in any other way necessary to facilitate the Proposals (the "By-Law Amendment Proposal"). In connection with the foregoing, BGL and BGLS may seek written demands or requests from RJRN stockholders ("Stockholder Demands") that a Special Meeting be held for the purpose of voting on any or all of the Proposals. BGL and BGLS may also seek written consents from RJRN stockholders ("Written Consents") to adopt any or all of the Proposals.

(c) Prior to the 1996 Annual Meeting, BGL or BGLS shall solicit Written Consents in favor of the Spinoff Proposal and the By-Law Amendment Proposal. BGL or BGLS may also, in its sole discretion, conduct solicitations, in addition to the solicitation described in the preceding sentence, of Stockholder Demands or Written Consents in favor of the other Proposals, or of proxies to be voted in favor of one or more of the Proposals at the 1996 Annual Meeting or a Special Meeting ("Proxies"). In respect of any such solicitation of Stockholder Demands, Written Consents or Proxies:

(i) BGL or BGLS shall prepare and file with the Securities and Exchange Commission (the "SEC") and mail to

RJRN stockholders, a solicitation statement under Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to such solicitation (the "Solicitation Statement");

(ii) the Solicitation Statement relating to any solicitation of Written Consents or Proxies seeking RJRN stockholder approval of the Election Proposal, or of Stockholder Demands for a Special Meeting at which RJRN stockholder approval of the Election Proposal will be sought, shall contain a pledge (the "BGL Pledge") by BGL and BGLS stating, in substance, that (A) BGL, BGLS and their affiliates (the "BGL Group") will not engage in any Business Combination (as defined below in Section 3(a)) other than a Permitted Business Combination (as defined below in Section 3(b)) at any time (I) prior to the earlier of (x) the 1996 Annual Meeting and (y) the occurrence of a Termination Event (as defined below in Section 3(c)) described in Section 3(c)(iii) (in the case of a solicitation of Stockholder Demands), Section 3(c)(iv) (in the case of a solicitation of Written Consents) or Section 3(c)(v) (in the case of a solicitation of Proxies), or (II) when BGL Nominees constitute a majority of the RJRN Board, (B) the BGL Group will not exercise any management control over Nabisco prior to the consummation of the Spinoff and (C) the BGL Group will halt its solicitation of Stockholder Demands, Written Consents or Proxies, as the case may be, if the RJRN Board takes any action described in Section 3(c)(vi); and

(iii) if BGL and BGLS take the actions described in clause (ii) with respect to any solicitation described in clause (i), then (A) promptly upon the request of BGL or BGLS, High River shall (and shall cause each of its affiliates to) execute and deliver to BGL or BGLS a valid Stockholder Demand, Written Consent or Proxy, as the case may be (and not withdraw such Stockholder Demand, Written Consent or Proxy), with respect to all of the Shares and all of the depositary shares representing Series C Conversion Preferred Stock, par value $.01 per share ("Series C Depositary Shares"), of RJRN beneficially owned by it and (B) each of BGL and BGLS shall (and shall cause each of its affiliates to) vote in favor of such Proposal all Shares and all Series C Depositary Shares beneficially owned by it.

Section 2. Termination. (a) This Agreement shall automatically terminate upon the earlier of (i) the first anniversary of the date hereof and (ii) the termination of the Agreement dated as of October 17, 1995 among New Valley, ALKI Corp., a Delaware corporation ("NV Sub"), and High River (the "New Valley Agreement") by High River, and any party hereto may

terminate this Agreement sooner at any time in its sole discretion by written notice to the other parties hereto, provided, however, that if New Valley or NV Sub terminates the New Valley Agreement, then BGL and BGLS shall be deemed to have simultaneously terminated this Agreement.

(b) If this Agreement is terminated pursuant to this Section 2, this Agreement shall forthwith become null and void, and there shall be no liability or obligation on the part of any party hereto, except for the obligations of the parties hereto pursuant to Section 4, Section 5 and Section 8, which shall remain in full force and effect for the periods set forth therein.

Section 3. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "Business Combination," with respect to any party hereto, means:

(i) Any material sale of capital stock or other equity interests of RJRN beneficially owned by such party or any of such party's affiliates to RJRN or any of RJRN's affiliates, other than a sale effected on a registered securities exchange or through the NASDAQ system that satisfies the following conditions: (A) such sale is not pursuant to any agreement, understanding or arrangement with RJRN or any of its affiliates, agents or representatives, (B) either (I) such party and its affiliates do not know that RJRN or one of its affiliates is the buyer or (II) such sale is pursuant to a market repurchase program which has previously been publicly announced by RJRN or one of its affiliates and (C) such party has given notice to the other parties at least one day prior to such sale of its intention to sell such Shares (which notice shall describe the approximate number of Shares to be sold and the approximate time period in which such sales will be made, but need not specify the exact number of Shares to be sold or the exact timing of such sales);

(ii) Any material sale of capital stock or other equity interests of such party or any of such party's affiliates to RJRN or any of RJRN's affiliates, other than pursuant to a sale effected on a registered securities exchange or through the NASDAQ system which is not pursuant to any agreement, understanding or arrangement with RJRN or any of its affiliates, agents or representatives and such party and its affiliates do not know that RJRN or one of its affiliates is the buyer;

(iii) Any merger, consolidation or combination of such party or any of such party's material affiliates with RJRN or any of RJRN's affiliates;

(iv) Any material borrowings by such party or any of such party's affiliates from RJRN or any of RJRN's affiliates, or by RJRN or any of RJRN's affiliates from such party or any of such party's affiliates, other than credit in the ordinary course of business substantially in accordance with industry practice or past practice;

(v) Any sale or other disposition of any material assets or properties of such party or any of such party's affiliates to RJRN or any of RJRN's affiliates, or of any material assets or properties of RJRN or any of RJRN's affiliates to such party or any of such party's affiliates, other than in the ordinary course of business substantially in accordance with industry practice or past practice; or

(vi) Any receipt by such party or any of such party's affiliates of any material benefit, including any material payment in cash or in kind from RJRN, other than benefits or payments in the ordinary course of business substantially in accordance with industry practice or past practice;

except, in each case, for a transaction that is made available to all other holders of Shares substantially at the same time on substantially equivalent terms.

(b) "Permitted Business Combination" means any Business Combination which is either (i) consummated substantially simultaneously with or subsequently to (A) a dividend or other distribution to RJRN's stockholders of all or substantially all of RJRN's remaining equity interest in Nabisco or (B) another transaction with respect to RJRN's investment in Nabisco which would provide substantially equivalent value to RJRN's stockholders or (ii) approved by the holders of a majority of the outstanding Shares not then beneficially owned by the BGL Group or by New Valley and its affiliates (the "New Valley Group").

(c) "Termination Event" means any of the following events:

(i) Any judgment, ruling, order or decree of any court or any other governmental agency or authority prohibiting, enjoining or restraining, or which has the effect of prohibiting, enjoining or restraining, any party to this Agreement or the New Valley Agreement from

fulfilling its material obligations under this Agreement or the New Valley Agreement, or which would otherwise render unlawful, the fulfillment of any party's material obligations under this Agreement or the New Valley Agreement, except any judgment, ruling, order or decree (A) arising out of a breach of any representation contained in Section 7 of this Agreement or in Section 8 of the New Valley Agreement or (B) prohibiting, enjoining or restraining, or which has the effect of prohibiting, enjoining or restraining, or otherwise rendering unlawful any Business Combination other than a Permitted Business Combination (an "Order") is in effect and such party has not appealed such Order by appropriate proceedings prior to or on the tenth day after such Order is entered, or any Order has been in effect for at least 30 days and has not been vacated or reversed, or any governmental agency or authority has indicated to any party, orally or in writing, its intention to issue or to seek to obtain an Order (an "Order Threat"); provided, however, that any such event shall be a Termination Event only if (x) in the case of any party which is (or a member of whose Group is) the subject of an Order or Order Threat, such party gives prompt notice thereof to the other party and thereafter terminates this Agreement or the New Valley Agreement prior to or on the tenth day after such event occurs and (y) in the case of a party which is not (and all of the members of whose Group are not) the subject of such an Order or Order Threat, such party thereafter terminates this Agreement or the New Valley Agreement prior to or on the tenth day following the time such party receives notice thereof from the subject party;

(ii) The Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division") has instituted any action or proceeding seeking to prohibit, enjoin or restrain any party to this Agreement or the New Valley Agreement from fulfilling its material obligations under this Agreement or the New Valley Agreement or to require any such party or any of its affiliates to make any material divestitures as a condition to the fulfillment of such obligations, or otherwise to impose any conditions or restrictions which could have a material adverse effect on any party hereto or on the transactions contemplated by this Agreement or the New Valley Agreement, or the FTC or the Antitrust Division has indicated to any such party, orally or in writing, its intention to institute any such action or proceeding, in each case other than any action, proceeding, requirement, condition or restriction with respect to any Business Combination except a Permitted Business Combination; provided, however, that any such event shall be a

Termination Event only if the party which is the subject of such action, proceeding, requirement, condition or restriction thereafter terminates this Agreement or the New Valley Agreement prior to or on the tenth day after such event occurs;

(iii) BGL or BGLS has commenced a solicitation of Stockholder Demands and has failed to receive within 120 days after the date of commencement the number of validly executed and unwithdrawn Stockholder Demands necessary to require RJRN to hold a Special Meeting, unless (A) the Special Meeting has otherwise been called or held or (B) on or prior to such 120th day, BGL and BGLS have taken all actions necessary to cause one or more of the Proposals to be brought before the 1996 Annual Meeting;

(iv) BGL or BGLS has commenced a solicitation of Written Consents with respect to one or more Proposals and has failed to receive within 120 days after the date of commencement the number of validly executed and unwithdrawn Written Consents necessary to approve at least one such Proposal, unless (A) at least one such Proposal has been otherwise approved at the 1996 Annual Meeting or a Special Meeting or (B) on or prior to such 120th day, BGL and BGLS have taken all actions necessary to cause at least one such Proposal to be submitted for a stockholder vote at the 1996 Annual Meeting or a Special Meeting;

(v) A Special Meeting or the 1996 Annual Meeting has been held, and one or more of the Proposals has been voted upon thereat, the BGL Nominees have not been elected to constitute a majority of the RJRN directors then in office and either (A) BGL and BGLS have determined not to pursue any further judicial review of the results of the vote at the Special Meeting or the 1996 Annual Meeting, as the case may be, or (B) no such further judicial review is available;

(vi) The RJRN Board has irrevocably declared a dividend or other distribution to RJRN's stockholders of all or substantially all of RJRN's remaining equity interest in Nabisco or has made any other legally binding commitment to engage in a transaction with respect to RJRN's investment in Nabisco which would provide substantially equivalent economic benefits to RJRN's stockholders;

(vii) Any event has occurred, or RJRN has taken any action, which is reasonably likely to have a material adverse effect on the business, operations or financial condition of RJRN and its subsidiaries, taken as a whole;

(viii) BGL or BGLS determines, reasonably and in good faith, that any event has occurred as a result of which no solicitation of Stockholder Demands, Written Consents or Proxies with respect to the Proposals would have a reasonable chance of success; provided, however, that any such event shall be a Termination Event only if BGL or BGLS notifies High River of such determination (which notice shall specify in reasonable detail the nature of the event which has occurred and the reasons for such determination) at least five business days prior to terminating this Agreement or the New Valley Agreement and thereafter BGL or BGLS terminates this Agreement, and New Valley or NV Sub terminates the New Valley Agreement, on such fifth business day; and provided that in any challenge by High River of a termination under this subpart (viii), High River shall bear the burden, in order to prevail, of establishing that BGL's or BGLS's determination as first set forth in this subpart (viii) was unreasonable or was made in bad faith;

(ix) BGL and BGLS (A) fail to nominate the BGL Nominees prior to November 20, 1995, or such later date as may be designated by RJRN as the final date for such nominations to be made, for election to the RJRN Board at the 1996 Annual Meeting in accordance with the procedures set forth in the most recent version of the by-laws of RJRN filed with the SEC prior to such date, (B) fail to mail to RJRN stockholders a Solicitation Statement relating to a solicitation of Written Consents with respect to the Spinoff Proposal and/or the By-Law Amendment Proposal prior to December 15, 1995, (C) fail to file the Solicitation Statement relating to the Annual Meeting preliminarily with the SEC prior to the earlier of (I) February 15, 1996 and (II) the date on which a Solicitation Statement described in clause (B) of this Section 3(c)(ix) is first mailed to RJRN stockholders, (D) fail to make the BGL Pledge in any Solicitation Statement relating to any solicitation of Written Consents or Proxies seeking RJRN stockholder approval of the Election Proposal, or of Stockholder Demands for a Special Meeting at which RJRN stockholder approval of the Election Proposal will be sought, or (E) take any action in violation of the BGL Pledge after it is made; provided, however, that any such event shall be a Termination Event only if High River thereafter terminates this Agreement or the New Valley Agreement prior to or on the tenth day after the first date that High River becomes aware that such event has occurred, but in no event shall the failure to terminate this Agreement after the occurrence of any such event prohibit the termination of this Agreement upon the subsequent occurrence of any other such event; or

(x) Either Group sells any Shares under the circumstances described in clause (x) of the first proviso to the first sentence of Section 1(d)(i) of the New Valley Agreement, or is required to offer any Shares to another party pursuant to the first sentence of Section 1(d)(ii) of the New Valley Agreement; provided, however, that any such event shall be a Termination Event only if a party to the New Valley Agreement which is not a member of such Group thereafter terminates the New Valley Agreement prior to or on the tenth day after the first date that such party becomes aware that such event has occurred.

Section 4. Certain Fees and Percentage Payments. (a) BGLS shall pay or cause to be paid to High River the sum of $50 million promptly upon:

(i) any termination of this Agreement by BGL or BGLS at a time when (A) no Termination Event has occurred and (B) High River is not in material breach of its obligations (the "High River Obligations") under Section 1(c)(iii) or Section 8 of this Agreement or Section 1(a), the fourth sentence of Section 1(c)(v), the ninth sentence of Section 1(c)(v) or Section 1(d)(i) of the New Valley Agreement;

(ii) any termination of this Agreement by High River at a time when (A) no Termination Event has occurred, (B) BGL or BGLS is in material breach of its obligations (the "BGL Obligations") under Section 1(c)(iii) of this Agreement and (C) High River is not in material breach of the High River Obligations; or

(iii) the consummation of any Business Combination (including any Permitted Business Combination) with respect to the BGL Group, if:

(A) such Business Combination is consummated prior to the later of (I) the date of RJRN's annual meeting of stockholders for 1997 and (II) the first anniversary of the date of termination of this Agreement (the later of such dates being referred to herein as the "Reference Date");

(B) a legally binding agreement to enter into such Business Combination or any other Business Combination is entered into prior to the Reference Date and such Business Combination is consummated prior to the second anniversary of the date of such agreement; or

(C) the BGL Nominees are elected to constitute a majority of the RJRN Board prior to the Reference Date and such Business Combination is consummated prior to the fifth anniversary of the date of such election;

provided, however, that (x) High River shall not be entitled to more than one fee under this Section 4(a), (y) High River shall not be entitled to any fee under this Section 4(a) if BGL shall have previously or shall concurrently become entitled to the fee described in Section 4(b) of this Agreement or if New Valley shall have previously become entitled to the fee described in Section 5(b) of the New Valley Agreement and (z) the amount of any fee to which High River may be entitled at any time pursuant to this Section 4(a) shall be reduced by the amount of any fee (the "New Valley Fee") which High River shall theretofore have been paid pursuant to Section 5(a) of the New Valley Agreement and by any percentage payment (the "New Valley Percentage Payment") which High River shall theretofore have been paid pursuant to Section 5(d) of the New Valley Agreement, in either of which events BGL or BGLS shall promptly upon request by New Valley reimburse New Valley for all or any part of the New Valley Fee or the New Valley Percentage Payment paid by or on behalf of New Valley.

(b) High River shall pay or cause to be paid to BGL the sum of $50 million promptly upon:

(i) any termination of this Agreement by High River at a time when (A) no Termination Event has occurred, (B) BGL and BGLS are not in material breach of any of the BGL Obligations and (C) New Valley and NV Sub are not in material breach of any of their obligations (the "New Valley Obligations") under Section 1(a), the fourth sentence of Section 1(c)(v), the ninth sentence of Section 1(c)(v), Section 1(d)(i) or Section 2 of the New Valley Agreement;

(ii) any termination of this Agreement by BGL or BGLS at a time when (A) no Termination Event has occurred, (B) High River is in material breach of its obligations under Section 1(c)(iii) or Section 8 of this Agreement, (C) BGL and BGLS are not in material breach of the BGL Obligations and (D) New Valley and NV Sub are not in material breach of the New Valley Obligations;

provided, however, that (x) BGL shall not be entitled to more than one fee under this Section 4(b), (y) BGL shall not be entitled to any fee under this Section 4(b) if High River shall have previously or shall concurrently become entitled to the fee described in Section 4(a) of this Agreement or the fee described

in Section 5(a) of the New Valley Agreement and (z) the amount of any fee to which BGL may be entitled at any time pursuant to this Section 4(b) shall be reduced by the amount of any fee which New Valley shall theretofore have been paid pursuant to Section 5(b) of the New Valley Agreement.

(c) Notwithstanding anything in this Agreement or the New Valley Agreement to the contrary,

(i) if the New Valley Group (as such term is defined in the New Valley Agreement) or the BGL Group sells any Shares or any Other Securities (as such term is defined in the New Valley Agreement) of any class or series prior to the Reference Date, then BGLS shall pay or cause to be paid to High River promptly upon the consummation of such sale a percentage payment equal to the product of (A) the Net Profit Override (as such term is defined in the New Valley Agreement) realized in such sale, multiplied by (B) a fraction (the "Sale Fraction," which shall be calculated separately for the Shares and for each class or series of Other Securities), the numerator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to such sale, by the BGL Group and the denominator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to such sale, by the BGL Group and the New Valley Group; and

(ii) if the New Valley Group or the BGL Group holds any Shares or any Other Securities of any class or series on the Reference Date, then New Valley shall pay or cause to be paid to High River promptly upon the Reference Date a percentage payment equal to the product of (A) the Net Profit Override existing on the Reference Date in respect of such Shares or such Other Securities, multiplied by (B) a fraction (the "Holdings Fraction," which shall be calculated separately for the Shares and for each class or series of Other Securities), the numerator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to the Reference Date, by the BGL Group and the denominator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to the Reference Date, by the BGL Group and the New Valley Group;

provided, however, that (x) the amount of any percentage payment to which High River is entitled at any time under this Section 4(c) shall be reduced by the product of (1) the amount of any fee which High River shall have theretofore been paid by or on behalf

of New Valley under Section 5(a) of the New Valley Agreement or by BGLS under Section 4(a) of this Agreement, multiplied by (2) the Sale Fraction or the Holdings Fraction, as the case may be, (y) High River shall not be entitled to any percentage payment under this Section 4(c) if BGL shall have previously become entitled to the fee described in Section 4(b) of this Agreement or if New Valley shall have previously become entitled to the fee described in Section 5(b) of the New Valley Agreement and (z) in the event that the New Valley Group or the BGL Group realizes a Net Loss (as defined in the New Valley Agreement) on any sale of any Shares or any Other Securities of any class or series, or that any Net Loss exists on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group or the BGL Group on the Reference Date, then in each such event High River shall repay or cause to be repaid to BGLS promptly upon receipt of notice from BGLS an amount equal to the product of (1) the excess, if any, of (X) 20% of such Net Loss over (Y) the aggregate amount of such percentage payments theretofore received by High River, multiplied by (2) a fraction, the numerator of which is the aggregate amount of such percentage payments theretofore paid by or on behalf of BGLS and the denominator of which is the aggregate amount of such percentage payments theretofore paid by or on behalf of New Valley and BGLS. BGL and BGLS shall use their reasonable best efforts to provide to High River (x) once each calendar week, commencing from the date of this Agreement, a report containing a reasonably detailed calculation of the number of Shares and the amount of Other Securities then held by the BGL Group and the Weighted-Average Cost (as defined in the New Valley Agreement) of such Shares and Other Securities and (y) promptly after the close of business on each business day on which any Shares are sold by the BGL Group, a report setting forth the number of Shares or Other Securities sold since the close of business on the previous business day, the aggregate price realized in such sales and the aggregate commissions paid in such sales; provided, however, that BGL and BGLS shall not incur any liability or suffer any prejudice as a result of its provision of any such estimate.

(d) The parties hereto hereby acknowledge and agree that the arrangements in Section 4(c) with respect to percentage payments constitute a partnership for Federal income tax purposes and that the parties hereto shall file income tax returns in a consistent manner.

(e) Each of BGL and High River shall give notice to the other promptly upon becoming aware that a Termination Event has occurred or that any event has occurred that would be a Termination Event but for the giving of notice or the termination of this Agreement.

Section 5. Costs and Expenses. (a) Except as set forth in Section 5(b), the BGL Group shall be responsible for all out-of-pocket costs and expenses of soliciting Stockholder Demands, Written Consents and Proxies from the stockholders of RJRN, including without limitation, to the extent related thereto, (i) all registration and filing fees under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"), (ii) all printing, messenger, telephone and delivery expenses, (iii) all fees and disbursements of counsel and (iv) all fees and disbursements of public relations firms, proxy solicitation firms, investment bankers and other financial advisors.

(b) Notwithstanding the provisions of Section 5(a), each party hereto shall be solely responsible for (i) all costs and expenses relating to the acquisition of the Shares beneficially owned or hereafter acquired by such party and its affiliates, (ii) its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing duties relating to the transactions contemplated by this Agreement) and (iii) all other expenses incurred by it, other than expenses described in Section 5(a), all of which shall be the sole responsibility of the BGL Group.

Section 6. Required Filings; Publicity. (a) Each of the parties hereto shall (and shall cause each of its affiliates to) (i) take all actions necessary to comply promptly with all legal requirements which may be imposed on such party (or its affiliates) as a result of this Agreement or any of the transactions contemplated hereby, and (ii) without limiting the foregoing, make all required filings pursuant to the Securities Act and the Exchange Act.

(b) To the extent reasonably practicable, the parties hereto shall consult with each other prior to all public statements or filings to be issued or made by any of them or their affiliates with respect to this Agreement and the transactions contemplated hereby.

Section 7. Representations and Warranties. (a) Each of the parties hereto hereby represents and warrants to the other parties hereto as follows:

(i) Such party is a corporation or partnership duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization, and has full corporate or partnership power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(ii) The execution and delivery by such party of this Agreement and the performance by such party of its obligations hereunder have been duly and validly authorized by all necessary corporate or partnership action. This Agreement has been duly and validly executed and delivered by such party and constitutes a legal, valid and binding obligation of such party enforceable against such party in accordance with its terms.

(iii) The execution and delivery by such party of this Agreement do not, and the performance by such party of its obligations under this Agreement will not, conflict with or result in a violation or breach of any of the provisions of the certificate of incorporation, bylaws or other organizational documents of such party, any law or order applicable to such party or any of such party's contractual obligations to other persons, in each case, in any manner that would prevent or materially impede such party from fulfilling its obligations hereunder.

(b) BGL and BGLS hereby represent and warrant to High River that as of the date hereof the BGL Group owns beneficially and of record 200 Shares, free and clear of all liens and encumbrances whatsoever, which Shares were purchased by the BGL Group at an aggregate cost (including all brokerage fees and commissions incurred in the acquisition of such Shares) of $5,675, and in respect of which the BGL Group has not received any dividends, except dividends of $75 received on July 3, 1995 and dividends of $75 received on October 2, 1995.

(c) High River represents and warrants to BGL and BGLS that High River has as of the date hereof, and will have on each date prior to the termination of this Agreement, net partners' equity of at least $22 million.

Section 8. Certain Actions. High River shall not (and shall cause its affiliates not to) engage in, agree to engage in or propose (either publicly or to RJRN or any of its affiliates) to engage in, individually or in combination with any other person, any Business Combination at any time prior to the earliest of (a) the Reference Date, (b) any termination of this Agreement that occurs at or after the time when a Termination Event has occurred and (c) any termination of this Agreement by BGL or BGLS, or of the New Valley Agreement by New Valley or NV Sub, at a time when High River is not in material breach of the High River Obligations.

Section 9. Miscellaneous. (a) For purposes of this Agreement, (i) the terms "affiliate" and "associate" have the meanings assigned to them in Rule 12b-2 promulgated under the

Exchange Act, provided, however, that New Valley and NV Sub shall not be deemed to be "affiliates" or "associates" of the BGL Group for any purpose of this Agreement, (ii) Liggett shall be deemed to be a material affiliate of BGL and BGLS, (iii) the term "shall" is used herein to refer to actions which are compulsory and thus to create binding obligations among the parties hereto, (iv) the terms "will," "expect," "expectation," "intend" and "intention," and other terms of similar import, are used herein solely to refer to the aspirations and objectives of the parties hereto and thus are not used herein to create binding obligations among the parties hereto and (v) the term "may" is used herein to refer solely to conduct which is optional and not compulsory and thus is not used herein to create binding obligations among the parties hereto.

(b) The parties hereto shall have no rights, power or duties except as specified herein, and no such rights, powers or duties shall be implied. Nothing herein shall give any party hereto the power to bind any other party hereto to any contract, agreement or obligation to any third party.

(c) All notices and other communications hereunder shall be in writing and shall be deemed given when received by the parties hereto at the following addresses (or at such other address for any party hereto as shall be specified by like notice):

If to BGL or BGLS:

100 S.E. Second Street
Miami, Florida 33131
Attention: Bennett S. LeBow
Telecopy: (305) 579-8001

With a copy to:

Michael L. Hirschfeld, Esq.
Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, NY 10005-1413
Telecopy: (212) 530-5219

If to High River:

c/o Icahn Associates Corp.
114 West 47th Street
19th Floor
New York, New York 10036
Attention: Carl C. Icahn
Telecopy: (212) 921-3359

With a copy to:

Marc Weitzen, Esq.
Gordon Altman Butowsky Weitzen

Shalov & Wein
114 West 47th Street
20th Floor
New York, NY 10036
Telecopy: (212) 626-0799

(d) This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement.

(e) This Agreement constitutes the entire agreement among the parties hereto and supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

(f) This Agreement shall be governed and construed in accordance with the laws of the state of New York applicable to a contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

(g) Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto; provided, however, that High River may assign any of its rights and interests hereunder to (i) any corporation incorporated in any state of the United States or in the District of Columbia if at least 98.5% of the shares of each class of capital stock of such corporation are owned by Carl C. Icahn (a "wholly-owned Icahn subsidiary"), either directly or through one or more wholly-owned Icahn subsidiaries or (ii) any partnership whose partners are all wholly-owned Icahn subsidiaries; and provided further that no such assignment shall relieve High River of any of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

(h) This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto. No waiver of any term or condition in this Agreement shall be effective unless set forth in writing and signed by or on behalf of the waiving party. No waiver by any party hereto of any term or condition of this Agreement shall

be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

(i) The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their successors and permitted assigns and are not intended to confer upon any other person any rights or remedies hereunder, except that the provisions of clause (z) of the proviso to Section 4(a), as they relate to the reimbursement obligations of BGL and BGLS, are expressly for the benefit of New Valley and shall be enforceable by New Valley against BGL and BGLS (but not against High River) by appropriate proceedings in any court of competent jurisdiction.

(j) In the event that any party hereto prevails in any action or proceeding alleging a breach of this Agreement, such party shall be entitled to recover all reasonable attorney's fees and other costs of prosecuting such action or proceeding and, in addition, shall be entitled to receive simple interest on any damages awarded in such action or proceeding at the rate of 10% per annum from the date of such breach.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their representatives thereunto duly authorized, all as of the date first above written.

BROOKE GROUP LTD.

By: /s/ BENNETT S. LEBOW

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

BGLS INC.

By: /s/ BENNETT S. LEBOW

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

HIGH RIVER LIMITED PARTNERSHIP

By: /s/ EDWARD E. MATTNER

Name: Edward E. Mattner
Title: President

[Signature page to Agreement among Brooke Group Ltd., BGLS Inc. and High River Limited Partnership dated October 17, 1995]

High River Limited Partnership
100 South Bedford Road
Mount Kisco, New York 10549

November 5, 1995

Brooke Group Ltd.
BGLS Inc.
100 S.E. Second Street
Miami, Florida 33131
Attn: Bennett S. LeBow

Dear Bennett:

By executing this letter in the space provided below, Brooke Group Ltd., a Delaware corporation ("BGL"), BGLS Inc., a Delaware corporation and a direct wholly-owned subsidiary of BGL ("BGLS") and High River Limited Partnership, a Delaware limited partnership ("High River"), each hereby agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Agreement by and among BGL, BGLS and High River, dated October 17, 1995 (the "BGL Agreement").

2. Section 1(a) of the BGL Agreement is deleted in its entirety and all reference thereto in the BGL Agreement is likewise deleted.

3. Section 1(c)(ii)(B) of the BGL Agreement is hereby amended to delete the subsection in its entirety and to

substitute in lieu thereof the following:

> "(B) Prior to the consummation of the Spinoff, the BGL Group will (I) not directly or indirectly exercise any management control over Nabisco or Nabisco, Inc., a Delaware corporation ("Nabisco, Inc."), (II) refrain from becoming involved in the ordinary course of business of Nabisco or Nabisco, Inc. and (III) use its best efforts to ensure that

a majority of the directors of Nabisco and Nabisco, Inc. consists of individuals who are presently members of the board of directors of Nabisco and Nabisco, Inc., respectively and"

4. Section 3(c)(ix)(C) of the BGL Agreement is hereby amended to delete the subsection in its entirety and to substitute in lieu thereof the following:

"(C) fail to file the Solicitation Statement relating to the Annual Meeting preliminarily with the SEC prior to the earlier of (I) February 15, 1996 and (II) sixty (60) days following the record date for the solicitation of Written Consents with respect to the Spinoff Proposal and the By-Law Amendment Proposal,"

5. In the event that prior to February 1, 1996 (i) the BGL Group provides High River Group with notice of termination of the BGL Agreement or New Valley Group (as defined below) provides High River Group with notice of termination of the Agreement by and among New Valley Corporation, ALKI Corp. and High River, dated October 17, 1995 (the "New Valley Agreement") at a time when a Termination Event set forth in Section 3(c)(vii) or 3(c)(viii) of the BGL Agreement has occurred or (ii) High River Group provides BGL Group with notice of termination of the BGL Agreement or provides New Valley Group with notice of termination of the New Valley Agreement at a time when a Termination Event set forth in Section 3(c)(ix)(A) of the BGL Agreement has occurred, BGL Group shall not transfer any Shares beneficially owned by BGL Group until February 1, 1996 in consequence of or in reliance upon such notice of termination. If the notice of termination specified in clause (i) of the preceding sentence is provided after January 16, 1996, and the aggregate number of shares of common stock, par value $.01 per share, of RJR Nabisco Holdings Corp. ("Shares") beneficially owned by High River Group exceeds the aggregate number of Shares beneficially owned by (A) New Valley Corporation, ALKI Corp. and any assignee of the foregoing ("New Valley Group") plus (B) BGL Group (collectively, the "Aggregate LeBow Shares"), BGL Group shall not Transfer any Shares beneficially owned by BGL Group for fifteen (15) days following receipt by High River Group of BGL Group's or New Valley Group's notice of termination; provided, however, that on such date not before February 1, 1996 that the aggregate number of Shares beneficially owned by High River Group is equal to or less than the Aggregate LeBow Shares, and thereafter, BGL Group may Transfer any Shares beneficially owned by BGL Group.

6. In the event that High River Group provides BGL Group with notice of termination of the BGL Agreement or provides New Valley Group with notice of termination of the New Valley Agreement at a time when a Termination Event under any of Sections 3(c)(ix)(B) through (E) of the BGL Agreement has occurred and the aggregate number of shares beneficially owned by High River Group exceeds the Aggregate LeBow Shares, BGL Group shall not Transfer any Shares beneficially owned by BGL Group in consequence of or in reliance upon such notice of termination until the earlier of (i) fifteen (15) days following receipt by BGL Group or New Valley Group of High River Group's notice of termination specified in the preceding sentence and (ii) the date that the aggregate number of Shares beneficially owned by High River Group is equal to or less than the Aggregate LeBow Shares.

7. BGLS shall promptly make any payments due under Section 4(c) of the BGL Agreement. In the event that High River Group believes that BGLS has breached any of its obligations under Section 4(c) of the BGL Agreement, the parties shall promptly follow the procedures set forth in Section 1(c)(v) of the New Valley Agreement in order to resolve the dispute. If the Arbitrator (as defined in the New Valley Agreement) determines that BGLS is required to make a payment pursuant to Section 4(c) of the BGL Agreement, BGLS shall make or cause to be made to High River Group such payment within twenty (20) days after receiving the Arbitrator's notice of decision. In the event that BGLS fails to make such payment within twenty (20) days after receipt of the Arbitrator's notice of decision, BGLS shall immediately pay or cause to be paid to High River Group an additional sum in the amount of $50 million.

8. Section 9(k) shall be added to the BGL Agreement to read as follows:

> "(k) Anything in this Agreement to the contrary notwithstanding, High River shall have no obligation with respect to the selection of the BGL Nominees or the solicitation of Written Consents or Proxies."

9. Nothing herein contained shall be construed to otherwise abrogate the rights and obligations of the parties to this letter agreement with respect to all other provisions of the

BGL Agreement, the New Valley Agreement and the letter agreement by and among New Valley, ALKI Corp. and High River, dated October 17, 1995 (the "Letter Agreement").

If the foregoing reflects your understanding, please sign this letter below. Upon your execution hereof, this letter agreement will become a binding contract between us.

Very truly yours,

HIGH RIVER LIMITED PARTNERSHIP

By: RIVERDALE INVESTORS CORP., INC.

Its: General Partner

By: /s/ EDWARD E. MATTNER

Name: Edward E. Mattner
Title: President

Agreed to and Accepted:

BROOKE GROUP LIMITED

By: /s/ BENNETT S. LEBOW

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

BGLS INC.

By: /s/ BENNETT S. LEBOW

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

[Signature page for letter agreement by and among Brooke Group Limited, BGLS Inc. and High River Limited Partnership, dated November 5, 1995]

AGREEMENT

This AGREEMENT among New Valley Corporation, a New York corporation ("New Valley"), ALKI Corp., a Delaware corporation and a direct wholly owned subsidiary of New Valley ("NV Sub"), and High River Limited Partnership, a Delaware limited partnership ("High River"), dated October 17, 1995.

W I T N E S S E T H:

WHEREAS, each of the parties hereto, directly or indirectly, is a stockholder of RJR Nabisco Holdings Corp., a Delaware corporation ("RJRN");

WHEREAS, the parties hereto believe that the value of RJRN stockholders' investment can be substantially increased through a spinoff (the "Spinoff") of all or substantially all of RJRN's remaining investment in Nabisco Holding Corp., a Delaware corporation ("Nabisco");

WHEREAS, New Valley and NV Sub desire to obtain the assistance and advice of High River with respect to measures designed to effectuate the Spinoff at the earliest possible date;

WHEREAS, High River is willing to give such assistance and advice to New Valley and NV Sub (the "New Valley Group") in consideration of the agreements by the New Valley Group set forth herein;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises set forth herein, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Investment. (a) High River hereby agrees to purchase from New Valley and NV Sub, and New Valley and NV Sub hereby agree to sell, assign, transfer and deliver to High River, at the Closing (as defined below), 1,611,550 shares of common stock, par value $.01 per share ("Shares"), of RJRN (the "Purchased Shares"). The closing of the purchase and sale of the Purchased Shares (the "Closing") shall occur at 10:00 a.m. on October 23, 1995 (the "Closing Date") at the offices of Milbank, Tweed, Hadley & McCloy, One Chase Manhattan Plaza, New York, New York. At the Closing, High River will pay to New Valley $50,976,921 (the "Purchase Price"), by wire transfer of immediately available funds to an account designated by New Valley, against delivery to High River ofthe Purchased Shares in a commercially customary manner such that, upon the payment of the Purchase Price for such Purchased Shares, High River shall have acquired good and marketable title to such Shares, free and clear of all encumbrances and liens whatsoever.

(b) It is the intention of the New Valley Group and High River to cooperate to invest a minimum of at least $300 million ($150 million each) in Shares, and they may further increase their investment to a minimum of at least $500 million in Shares ($250 million each), in accordance with the following plan:

(i) Each of the New Valley Group and High River and its affiliates (the "High River Group") is expected to make a minimum equity investment in Shares of $75 million (the "First Stage Equity Investments").

(ii) In addition to their respective First Stage Equity Investments, each of the New Valley Group and the High River Group is expected to invest in Shares at least a minimum additional amount (the "First Stage Margin Investments" and, together with the First Stage Equity Investments, the "First Stage Investments") equal to the lesser of (A) $75 million and (B) the maximum additional amount that such group would lawfully have been able to invest in Shares if (I) the Shares acquired pursuant to such group's First Stage Equity Investment had been acquired with funds not obtained from the proceeds of "purpose credit" secured directly or indirectly by "margin stock" (as such terms are defined in Regulation T and Regulation U promulgated by the Board of Governors of the Federal Reserve System (the "Margin Rules")) ("Margin Loans") and (II) such group had used its best efforts to borrow additional funds by pledging the Shares so acquired as collateral to secure Margin Loans to the extent that such Margin Loans could have been obtained lawfully and on reasonable commercial terms and had used the proceeds of such Margin Loans to acquire additional Shares, which had been similarly pledged to secure additional Margin Loans and to acquire further Shares, and so forth until no further such Margin Loans had been lawfully available.

(iii) Following the completion of the First Stage Investments, each of the New Valley Group and the High River Group may make a further investment in Shares of up to the sum of (A) $50 million of equity (the "Second Stage Equity Investment") plus (B) an additional amount (the "Second Stage Margin Investments" and, together with the Second

Stage Equity Investments, the "Second Stage Investments") equal to the lesser of (I) $50 million and (II) the maximum amount that such group would lawfully have been able to invest in Shares, in the manner described in Section 1(b)(ii)(B), using the Shares acquired through the Second Stage Equity Investment as collateral.

(c) In order to effectuate the objectives of the parties hereto described in Section 1(b), each of the New Valley Group and High River agrees that it shall (or shall cause its affiliates to) make the following investments in Shares:

(i) Promptly after the close of business on each business day during the term of this Agreement, each of New Valley and High River shall notify the other of (A) the number of Shares acquired or sold by the New Valley Group and the High River Group, respectively, since the last such notice, (B) the purchase price or sale price of each Share so acquired or sold and (C) the amount of brokerage fees or commissions incurred in acquiring or selling each such Share.

(ii) On the last business day of each second calendar week (commencing with the end of the second full calendar week following the date of this Agreement) prior to such time as the High River Group has made an investment in Shares equal to at least the Second Stage Investment (the "Second Stage Completion Date"), promptly after the exchange of notices described in Section 1(c)(i), the parties hereto shall calculate the aggregate number and the average price of all Shares acquired during such two calendar weeks by either the New Valley Group or the High River Group at a price per Share equal to the Hurdle Price (as defined below in this paragraph (ii)) or less (exclusive of brokerage fees and commissions incurred in such acquisition) ("Qualifying Shares"). Thereupon, each party shall make or cause to be made to the other party (or the other party's designee) such transfers of Shares and such payments in immediately available funds (in each case in the manner described in Section 1(c)(iv)) as would have been necessary so that, after giving effect to such transfers and payments, the New Valley Group and the High River Group would have acquired the same number of Qualifying Shares during such two calendar weeks and the aggregate investment (excluding brokerage fees and commissions incurred in the acquisition of Shares) of the New Valley Group and the High River Group in Qualifying Shares during such week would have been identical. For purposes of this Agreement, "Hurdle Price" means (x) prior to the time that both the New Valley Group

and the High River Group have made investments in Shares equal to at least the First Stage Investment (the "First Stage Completion Date"), $35.50 per Share and (y) at all times from and after the First Stage Completion Date and prior to the Second Stage Completion Date, $31.00 per Share.

(iii) In addition to the obligations of the parties hereto under Section 1(c)(ii), for each business day prior to the Second Stage Completion Date, New Valley may, in its sole discretion, by notice to High River promptly after the exchange of the notices with respect to such business day described in Section 1(c)(i), put to High River a number of Shares equal to or less than one-half of the excess, if any, of (A) the aggregate number of Shares other than Qualifying Shares ("Non-Qualifying Shares") acquired by the New Valley Group since the close of business on the previous business day over (B) the number of Non-Qualifying Shares acquired by the High River Group since the close of business on the previous business day. The put price per Share shall be equal to the Hurdle Price. Thereupon, the New Valley Group shall sell and transfer or cause to be sold and transferred to High River or another member of the High River Group designated by High River the number of Shares so put to High River, and High River shall purchase or cause such designee to purchase such Shares and shall pay or cause to be paid to New Valley or New Valley's designee a purchase price equal to the put price of such Shares, in each case in the manner described in Section 1(c)(iv).

(iv) All payments required to be made under Section 1(c)(ii) or Section 1(c)(iii) shall be made in immediately available funds before the opening of business on the fourth New York Stock Exchange trading day after (A) in the case of Section 1(c)(ii), the last business day of each second calendar week in which the exchange of notices referred to therein is made and (B) in the case of Section 1(c)(iii), the last business day of the calendar week in which New Valley delivers the notice referred to therein. All transfers of Shares required by Section 1(c)(ii) and Section 1(c)(iii) shall be made simultaneously with such payment in a commercially customary manner such that upon the payment of the purchase price for such Shares, the transferee shall have acquired good and marketable title to such Shares, free and clear of all encumbrances and liens whatsoever.

(v) As promptly as practicable following the close of business on November 27, 1995 (in the case of the First Stage Investments) and January 11, 1996 (in the case

of the Second Stage Investments), but in each case prior to the close of business on the next business day, each of New Valley and High River shall notify the other of (A) the date of purchase of any Shares acquired by the New Valley Group and the High River Group, respectively, since the date of this Agreement, (B) the number of Shares purchased on each such date and (C) the purchase price of each Share so acquired. If prior to January 17, 1996, either New Valley or High River believes that the other has breached any of its obligations under Section 1(c)(ii) or Section 1(c)(iii), such party (the "Notifying Party") shall deliver to the other party (the "Receiving Party") a notice setting forth in reasonable detail the nature of the breach and the reasons for such belief (the "Notice of Breach"). The Notice of Breach shall specifically describe the number of Shares that the Receiving Party must transfer to the Notifying Party, or that the Notifying Party must transfer to the Receiving Party, and the amount of the payments that the Receiving Party must make to the Notifying Party, or that the Notifying Party must make to the Receiving Party, in order to cure such breach, and shall demand performance of such transfers and payments. Prior to the close of business on the third business day after receiving the Notice of Breach, the Receiving Party shall either (x) pay the amounts and transfer the Shares described in the Notice of Breach, against receipt of the amounts to be paid and/or the Shares to be transferred by the Notifying Party as described in the Notice of Breach or (y) deliver to the Notifying Party a notice stating that the Receiving Party disputes the demand made in the Notice of Breach (the "Notice of Dispute"). In the event that the Receiving Party delivers a Notice of Dispute, then prior to the close of business on the next business day, the parties hereto shall by mutual agreement choose an independent, nationally recognized public accounting firm, which shall be retained by the parties hereto to arbitrate the dispute (the "Arbitrator"), or if they cannot agree, each of New Valley and High River shall choose one such accounting firm, and such firms shall choose a third such accounting firm to serve as Arbitrator. The fees and expenses of the Arbitrator shall be shared equally by New Valley and High River. The parties hereto shall make available to the Arbitrator all information which the Arbitrator may reasonably request for the purpose of arbitrating the dispute. Prior to the close of business on the fifth business day after being retained, the Arbitrator shall make its own independent calculations and shall notify New Valley and High River in writing of its decision, indicating the amounts to be paid and the number of Shares to be transferred by each of the parties hereto to cure any breach

of Section 1(c)(ii) or 1(c)(iii), identified by the Arbitrator as having occurred. Prior to the close of business on the third business day after receiving the notice of such decision, each party hereto shall make payments and transfer Shares in accordance with such decision. In each case where a party is required to make any payment pursuant to this Section 1(c)(v) by reason of any breach by such party of Section 1(c)(ii) or Section 1(c)(iii), the amount of such payment shall be based on a purchase price per Share, without interest, equal to the Hurdle Price in effect at the time that the relevant transfer of Shares would have originally occurred if not for the relevant breach.

(d) (i) Except as provided in subpart (ii) of this subparagraph (d), until the termination of this Agreement, (i) the New Valley Group shall not make or agree to make any sale, transfer or other disposition (a "Transfer") of Shares beneficially owned by it, if following such Transfer the New Valley Group's total investment in Shares would be less than the sum of the First Stage Investment plus the Second Stage Investment and (ii) High River shall not (and shall cause the High River Group not to) make or agree to make any Transfer of Shares beneficially owned by it, if following such Transfer the High River Group's total investment in Shares would be less than the sum of the First Stage Investment plus the Second Stage Investment; provided, however, that (x) the New Valley Group and the High River Group may sell Shares to an unaffiliated third party on an arms'-length basis if (1) such sale is made solely in response to a demand for repayment or additional collateral (other than Shares) of the sort usually made by a lender extending Margin Loans secured by such Shares, which demand results from a decline in the market price of the Shares so that the account with the lender falls below the lender's pre-established maintenance requirement for the New Valley Group or the High River Group, as the case may be, (2) the proceeds of such sale are used solely to repay Margin Loans, (3) the total number of Shares sold does not exceed the minimum number that must be sold in order to satisfy such demand and (y) in the event the New Valley Group or the High River Group (each, a "Group") sells any Shares pursuant to clause (x) of this proviso and following such sale such first Group's investment in Shares is less than the second Group's investment in Shares, then the second Group may Transfer Shares so long as following such Transfer the second Group's investment in Shares is equal to or greater than the first Group's investment in Shares; and provided further that each member of the New Valley Group and the High River Group may Transfer Shares to any other member of

the New Valley Group or the High River Group (but only if, in the case of a Transfer to another member of the High River Group, such member agrees to be bound by the provisions of this Agreement to the same extent as High River). Following a sale by either the New Valley Group or the High River Group pursuant to clause (x) of the first proviso to the preceding sentence, neither Group shall be obligated to purchase any additional Shares pursuant to Section 1(c)(ii) or Section 1(c)(iii), but the provisions of Section 1(c)(v) shall continue to be applicable with respect to any purchases that were required to be made prior to such sale pursuant to Section 1(c)(ii) or Section 1(c)(iii).

(ii) In addition, notwithstanding the terms of subpart (i) of this subparagraph (d), in the event that the lender extending Margin Loans to a member of the New Valley Group or the High River Group, as the case may be (the "Borrower"), for any reason other than as set forth in clause (x) of the first proviso to the first sentence of subpart (i) of this subparagraph (d), terminates or reduces the loan facility or otherwise requires the sale of Shares by Borrower (such Shares required as a result to be sold, together with a number of Shares equal to the number of Shares (if any) sold pursuant to such clause (x), during the thirty consecutive calendar days immediately following the date that the Borrower is informed of such required sale, being hereinafter referred to as the "Selloff Shares") and after exercise of best efforts to replace such loan facility Borrower is unable to do so, then the Borrower shall irrevocably offer to the other party hereto the right for a five business day period, at the election of the other party, either (A) to acquire the Selloff Shares at a price equal to the lower (such lower price being referred to herein as the "Selloff Price") of (I) 90% of the Weighted-Average Cost (calculated as set forth in Section 4(h) but without giving effect to the interest factor described in Section 4(h)(i) or Section 4(h)(ii)(B)) of the Selloff Shares, and (II) 90% of the then current market price of the Selloff Shares, as measured by the average closing sales price of Shares on the New York Stock Exchange in the five business days preceding said offer, or (B) to receive payment from the Borrower in immediately available funds in an amount equal to the excess of the then current market price of the Selloff Shares, as so measured, over the Selloff Price. In the event the other party exercises its right to acquire the Selloff Shares, the closing shall take place prior to the close of business on the third business day after such party exercises its right to purchase the Selloff Shares, and the party electing to exercise its right to purchase shall be entitled to an order of specific

performance in the event of a failure by the Borrower to close as hereinabove provided. In the event the other party does not exercise its right to acquire the Selloff Shares within such five business day period, or shall affirmatively elect to receive payment from the Borrower, the Borrower shall thereafter have the right to sell the Selloff Shares to an unaffiliated third party on an arms'-length basis. In the event the other party exercises its right to receive payment from the Borrower, such payment shall be made within five business days of notice to the Borrower of the other party's election to exercise its right thereto.

(e) For purposes of this Section 1 and Section 4(c), in calculating the amount of the investment in Shares by the New Valley Group and the High River Group at any time, (i) each Group's acquisition of Shares shall be deemed to increase such Group's investment by the actual cost, including all brokerage fees and commissions incurred in the acquisition of such Shares, and (ii) each Group's sale of Shares shall be deemed to decrease such Group's investment by the actual price realized, net of all brokerage fees and commissions incurred in such sale.

(f) In addition to the investments required by Section 1(c), each of the parties hereto and its affiliates may, in its sole discretion, invest additional amounts from time to time to acquire additional Shares. Notwithstanding any other provision of this Agreement, the funds invested by any party hereto or its affiliates in Shares, either pursuant to Section 1(c) or to this Section 1(f), may be obtained through any lawful method, including, without limitation, Margin Loans and other loans or borrowings subject to the Margin Rules.

(g) Notwithstanding anything in this Agreement to the contrary, (i) all Shares acquired by any party hereto shall be held by it for its own account and not for the account of any other party hereto, (ii) except as set forth in Section 5(d), no party hereto shall have any right or obligation to share in the profits or losses of any other party hereto arising from the acquisition, holding or disposition of Shares beneficially owned by such other party or its affiliates and (iii) all transfers of Shares pursuant to Section 1(c)(ii) or Section 1(c)(iii), and all payments in respect of such Shares pursuant to Section 1(c)(ii) or Section 1(c)(iii), shall be made simultaneously on the respective dates such transfers and payments are required to be made pursuant to Section 1(c)(iv), and no party hereto shall be deemed to own or to have any rights of ownership in any such Shares (including, without limitation, any right to vote such Shares or to receive dividends paid in respect of such Shares) until such transfer and payment are made.

Section 2. Agreement to Vote. In the event that Brooke Group Ltd. ("BGL") or BGLS Inc. ("BGLS") determines to solicit Stockholder Demands, Written Consents or Proxies (as such terms are defined in the Agreement dated as of October 17, 1995 among BGL, BGLS and High River (the "BGL Agreement")), the New Valley Group shall execute and deliver to BGL or BGLS a valid Stockholder Demand, Written Consent or Proxy, as the case may be (and not withdraw such Stockholder Demand, Written Consent or Proxy) with respect to all of the Shares, and all of the depositary shares representing Series C Conversion Preferred Stock, par value $.01 per share, of RJRN, that it beneficially owns or has the right to vote.

Section 3. Termination. (a) This Agreement shall automatically terminate upon the earlier of (i) the first anniversary of the date hereof and (ii) the termination of the BGL Agreement by High River, and any party hereto may terminate this Agreement sooner at any time in its sole discretion by written notice to the other parties hereto; provided, however, that if BGL or BGLS terminates the BGL Agreement, then New Valley and NV Sub shall be deemed to have simultaneously terminated this Agreement.

(b) If this Agreement is terminated pursuant to this Section 3, this Agreement shall forthwith become null and void, and there shall be no liability or obligation on the part of any party hereto, except that (i) the obligations of the parties hereto pursuant to Section 5 and Section 6 shall remain in full force and effect following any termination of this Agreement for the periods set forth therein and (ii) if (A) either the New Valley Group or the BGL Group sells any Shares under the circumstances described in clause (x) of the first proviso to the first sentence of Section 1(d)(i) of this Agreement, or is required to offer any Shares to another party pursuant to the first sentence of Section 1(d)(ii) of this Agreement, and (B) a party hereto which is not a member of such Group thereafter terminates this Agreement prior to or on the tenth day after the first date that such party becomes aware that such event has occurred, then the obligations of any member of such Group pursuant to Section 1(d)(ii) shall remain in full force and effect following such termination until the later of (I) the end of the 30-day period set forth in Section 1(d)(ii) or (II) the time that the Selloff Shares are delivered at the closing described in the second sentence of Section 1(d)(ii), or the time when payment is made pursuant to the fourth sentence of Section 1(d)(ii), as the case may be.

Section 4. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "Termination Event" shall have the meaning assigned to it in the BGL Agreement.

(b) "Other Securities" means any securities or assets (other than cash) received by the New Valley Group from RJRN in respect of any Shares held by the New Valley Group, whether by way of a dividend or other distribution in respect of such Shares, in exchange for such Shares, pursuant to a reclassification of such Shares, or otherwise.

(c) The "Trading Profit" realized in any sale of any Shares or any Other Securities of any class or series by any member of the New Valley Group or by BGL, BGLS or any of their affiliates (the "BGL Group") means the excess, if any, of the actual price realized in such sale, net of all brokerage fees and commissions incurred in such sale, over the Weighted-Average Cost (as defined below in Section 4(h) and Section 4(i)) of the Shares or the Other Securities of such class or series sold. The "Trading Profit" existing on the Reference Date (as defined below in Section 5(a)) in respect of any Shares or Other Securities of any class or series held by the New Valley Group or the BGL Group as of such date means the excess, if any, of the Market Value (as defined below in Section 4(j) and Section 4(k)) as of the Reference Date of the Shares or the Other Securities of such class or series so held over the Weighted-Average Cost of such Shares or such Other Securities. Notwithstanding the foregoing, if the aggregate investment in Shares and Other Securities made at any time, either before or after the date of termination of this Agreement, by the New Valley Group, before giving effect to any sales of Shares and Other Securities held by the New Valley Group (the "Aggregate New Valley Investment"), exceeds the greater of (x) the sum of the First Stage Investment plus the Second Stage Investment and (y) the aggregate investment of the High River Group in Shares and Other Securities made prior to the date of the termination of this Agreement (the greater of such amounts being referred to herein as the "Target Investment"), then the "Trading Profit" realized on any sale of Shares or any Other Securities of any class or series, or existing on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group on the Reference Date, means the product of (x) the "Trading Profit," calculated as set forth in the previous two sentences, multiplied by (y) a fraction, the numerator of which is the Target Investment and the denominator of which is the Aggregate New Valley Investment.

(d) The "New Valley Expenses" means the out-of-pocket costs and expenses incurred by the New Valley Group or the BGL Group in connection with the preparation, negotiation and execution of this Agreement and the BGL Agreement, the

consummation of the transactions contemplated hereby or thereby and the solicitation of Stockholder Demands, Written Consents and Proxies from the stockholders of RJRN (including without limitation, to the extent incurred in connection therewith, (i) all registration and filing fees under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Securities Act of 1933, as amended (the "Securities Act"), (ii) all printing, messenger, telephone and delivery expenses, (iii) all fees and disbursements of counsel and (iv) all fees and disbursements of public relations firms, proxy solicitation firms, investment bankers and other financial advisors), plus an amount equivalent to simple interest on each such cost and expense at the rate of 10% per annum from the date of payment thereof; provided, however, that "New Valley Expenses" shall exclude, without duplication, (x) all costs and expenses relating to the acquisition of the Shares beneficially owned or hereafter acquired by the New Valley Group, (y) all internal costs and expenses (including, without limitation, all salaries and expenses of its officers and employees performing duties relating to the transactions contemplated by this Agreement and the BGL Agreement) and (z) all costs and expenses paid to the New Valley Group, or the BGL Group, except as reimbursement for out-of-pocket costs and expenses incurred by the New Valley Group or the BGL Group to unaffiliated third parties.

(e) The "Net Profit" realized on any sale of Shares or any Other Securities of any class or series, or existing on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group or the BGL Group on the Reference Date, means the excess, if any, of (i) the Trading Profit realized on such sale or existing on the Reference Date with respect to such Shares or such class or series of Other Securities, as the case may be, together with the aggregate Trading Profit realized on all previous or simultaneous sales (if any) of any Shares or any Other Securities of such class or series, over (ii) the sum of (A) the aggregate New Valley Expenses incurred on or prior to such sale or the Reference Date, as the case may be, and (B) five times the excess, if any of (I) the aggregate percentage payments (if any) that High River would have been entitled to receive under Section 5(d) of this Agreement and Section 4(c) of the BGL Agreement with respect to such previous or simultaneous sales if not for the effect of clauses (x) and (y) of the provisos to such Sections over (II) any repayment that New Valley or BGLS would have been entitled to receive under clause (z) of such provisos.

(f) The "Net Loss" realized on any sale of Shares or any Other Securities of any class or series, or existing on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group or the BGL

Group on the Reference Date, means the excess, if any, of (i) the sum of (A) the aggregate New Valley Expenses incurred on or prior to such sale or the Reference Date, as the case may be, and (B) five times the excess, if any of (I) the aggregate percentage payments (if any) that High River would have been entitled to receive under Section 5(d) of this Agreement and Section 4(c) of the BGL Agreement with respect to any previous or simultaneous sale of Shares or any Other Securities of such class or series if not for the effect of clauses (x) and (y) of the provisos to such Sections over (II) any repayment that New Valley or BGLS would have been entitled to receive under clause (z) of such provisos over (ii) the Trading Profit realized on such sale or existing on the Reference Date with respect to such Shares or such class or series of Other Securities, as the case may be, together with the aggregate Trading Profit realized on all previous or simultaneous sales (if any) of any Shares or any Other Securities of such class or series, as the case may be.

(g) The "Net Profit Override" on any sale of Shares or any Other Securities of any class or series, or existing on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group or the BGL Group on the Reference Date, means 20% of the Net Profit, if any, on such sale or existing on such date.

(h) The "Weighted-Average Cost" of any Shares means (i) the weighted-average cost of all Shares owned by the New Valley Group and the BGL Group as of the date hereof, or acquired by the New Valley Group and the BGL Group hereafter prior to or at the time that the aggregate investment of the New Valley Group in Shares first exceeds the Target Investment (including in each case all brokerage fees and commissions incurred in the acquisition of such Shares and including an amount equivalent to simple interest on the cost of any Shares at the rate of 8-1/2% per annum from the date of payment for such Shares, but excluding any other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to acquire or carry such Shares), calculated in accordance with generally accepted accounting principles, reduced by (ii) the sum of (A) the amount of any cash dividends or distributions received in respect of such Shares and the Market Value (as of the date received) of any Other Securities received in respect of such Shares by way of any dividend or distribution, plus (B) an amount equivalent to simple interest on such amount and such Market Value at the rate of 8-1/2% per annum from such date received; provided, however, that any exchange of Shares for Other Securities or reclassification of Shares into Other Securities shall be treated for purposes of calculating the Weighted-Average Cost of the remaining Shares as a sale of the Shares so exchanged or reclassified at a price equal to their Weighted-Average Cost.

(i) The "Weighted-Average Cost" of any Other Securities received by the New Valley Group and the BGL Group means (i) in the case of any Other Securities received by way of any dividend or distribution, the Market Value of such Other Securities as of the date received, plus an amount equivalent to simple interest on such Market Value at the rate of 8-1/2% per annum from the date of receipt of such Other Securities, but excluding any other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to carry such Other Securities and (ii) in the case of any Other Securities received by the New Valley Group and the BGL Group by way of any exchange of Shares for Other Securities or reclassification of Shares into Other Securities, an amount equal to the Weighted-Average Cost of the Shares so exchanged or reclassified, plus an amount equivalent to simple interest on such amount at the rate of 8-1/2% per annum from the date of receipt of such Other Securities, but excluding any other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to carry such Other Securities; provided, however, that the Weighted-Average Cost of any Other Securities shall be reduced by the sum of (A) the amount of any cash dividends or distributions received by the New Valley Group and the BGL Group in respect of such Other Securities and the Market Value (as of the date received) of any securities or assets (other than cash) received by the New Valley Group and the BGL Group in respect of such Other Securities by way of any dividend or distribution plus (B) an amount equivalent to simple interest on the amount of such cash or the Market Value of such securities or other assets at the rate of 8-1/2% per annum from the date received.

(j) The "Market Value" of any securities as of any date means the product obtained by multiplying (i) the number or amount of such securities by (ii) the average of the daily closing prices per share or other unit of such securities for the ten consecutive trading days (or, if such securities have not traded for ten consecutive trading days, such lesser number of trading days as they have traded) on or prior to such date. For this purpose, the "closing price" of any securities as of any date means, the closing sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices per share or other unit for such securities, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such securities are not then listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such securities are listed or admitted to trading or, if such securities are not then listed or admitted to

trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices, per share or other unit for such securities in the over-the-counter market, as reported by the NASDAQ system or, if such system is not in use, any other similar system then in use, or, if on any such date such securities are not then quoted by any such system, the average of the closing bid and asked prices per share or other unit for such securities as furnished by a professional market maker making a market in such securities selected by mutual agreement of New Valley and High River or, if no such person then makes a market in such securities, the fair market value of such securities, as determined by an independent, nationally recognized investment banking or appraisal firm selected by mutual agreement of New Valley and High River; provided, however, that if any dividend or distribution shall have been declared but not paid in respect of such securities as of the date in question, and the ex-dividend date for the determination of the holders of securities entitled to receive such dividend or distribution shall occur prior to the date of valuation, the "Market Value" of such securities shall be appropriately increased by the value of such dividend or distribution (as determined by mutual agreement of New Valley and High River, or if they cannot agree, by an independent, nationally recognized investment banking or appraisal firm selected by mutual agreement of New Valley and High River, or if they cannot agree, selected by the American Arbitration Association).

(k) The "Market Value" of any assets other than securities means the fair market value of such assets, as determined by an independent, nationally recognized investment banking or appraisal firm selected by mutual agreement of New Valley and High River, or if they cannot agree, selected by the American Arbitration Association).

Section 5. Certain Fees and Percentage Payments. (a) Subject to Section 5(c), New Valley shall pay or cause to be paid to High River the sum of $50 million promptly upon

(i) any termination of this Agreement by High River at a time when (A) no Termination Event has occurred, (B) New Valley or NV Sub is in material breach of its obligations (the "New Valley Obligations") under Section 1(a), the fourth sentence of Section 1(c)(v), the ninth sentence of Section 1(c)(v), Section 1(d)(i) or Section 2 of this Agreement and (C) High River is not in material breach of its obligations (the "High River Obligations") under Section 1(a), the fourth sentence of Section 1(c)(v), the ninth sentence of Section 1(c)(v) or Section 1(d)(i) of this

Agreement or Section 1(c)(iii) or Section 8 of the BGL Agreement;

(ii) any termination of this Agreement by New Valley or NV Sub at a time when (A) no Termination Event has occurred and (B) High River is not in material breach of the High River Obligations; or

(iii) the consummation of any Business Combination (as defined in the BGL Agreement), including any Permitted Business Combination (as defined in the BGL Agreement), with respect to the New Valley Group, if (A) such Business Combination is consummated prior to the later of (I) the date of RJRN's annual meeting of stockholders for 1997 and (II) the first anniversary of the date of termination of this Agreement (the later of such dates being referred to herein as the "Reference Date"), or (B) a legally binding agreement to enter into such Business Combination or any other Business Combination is entered into prior to the Reference Date and such Business Combination is consummated prior to the second anniversary of the date of such agreement or (C) the BGL Nominees (as such term is defined in the BGL Agreement) are elected to constitute a majority of the Board of Directors of RJRN and such Business Combination is consummated prior to the fifth anniversary of the date of such election;

provided, however, that (x) High River shall not be entitled to more than one fee under this Section 5(a), (y) High River shall not be entitled to any fee under this Section 5(a) if New Valley shall have previously or shall concurrently become entitled to the fee described in Section 5(b) of this Agreement or if BGL shall have previously become entitled to the fee described in Section 4(b) of the BGL Agreement and (z) the amount of any fee to which High River may be entitled at any time pursuant to this Agreement shall be reduced by the amount of any fee which High River shall theretofore have been paid pursuant to Section 4(a) of the BGL Agreement and by the amounts of any percentage payments which High River shall theretofore have been paid pursuant to Section 5(d) of this Agreement or pursuant to Section 4(c) of the BGL Agreement.

(b) Subject to Section 5(c), High River shall pay or cause to be paid to New Valley the sum of $50 million promptly upon:

(i) any termination of this Agreement by High River at a time when (A) no Termination Event has occurred, (B) New Valley and NV Sub are not in material breach of the New Valley Obligations and (C) BGL and BGLS are not in

material breach of their obligations under Section 1(c)(iii) of the BGL Agreement (the "BGL Obligations"); or

(ii) any termination of this Agreement by New Valley or NV Sub at a time when (A) no Termination Event has occurred, (B) High River is in material breach of its obligations under Section 1(a), the fourth sentence of Section 1(c)(v), the ninth sentence of Section 1(c)(v) or Section 1(d)(i) of this Agreement, (C) New Valley and NV Sub are not in material breach of the New Valley Obligations and (D) BGL and BGLS are not in material breach of the BGL Obligations;

provided, however, that (x) New Valley shall not be entitled to more than one fee under this Section 5(b), (y) New Valley shall not be entitled to any fee under this Section 5(b) if High River shall have previously or shall concurrently become entitled to the fee described in Section 5(a) of this Agreement or the fee described in Section 4(a) of the BGL Agreement and (z) the amount of any fee to which New Valley may be entitled at any time pursuant to this Agreement shall be reduced by the amount of any fee which BGL shall theretofore have been paid pursuant to Section 4(b) of the BGL Agreement.

(c) Each of New Valley and High River shall give notice to the other promptly upon becoming aware that any Termination Event has occurred, or that any event has occurred that would be a Termination Event but for the giving of notice or the termination of this Agreement. Such notice shall specify in reasonable detail the facts giving rise to such Termination Event.

(d) Notwithstanding anything in this Agreement or the BGL Agreement to the contrary,

(i) if the New Valley Group or the BGL Group sells any Shares or any Other Securities of any class or series prior to the Reference Date, then New Valley shall pay or cause to be paid to High River promptly upon the consummation of such sale a percentage payment equal to the product of (A) the Net Profit Override realized in such sale, multiplied by (B) a fraction (the "Sale Fraction," which shall be calculated separately for the Shares and for each class or series of Other Securities), the numerator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to such sale, by the New Valley Group and the denominator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof,

or hereafter acquired prior to such sale, by the New Valley Group and the BGL Group; and

(ii) if the New Valley Group or the BGL Group holds any Shares or any Other Securities of any class or series on the Reference Date, then New Valley shall pay or cause to be paid to High River promptly upon the Reference Date a percentage payment equal to the product of (A) the Net Profit Override existing on the Reference Date in respect of such Shares or such Other Securities, multiplied by (B) a fraction (the "Holdings Fraction," which shall be calculated separately for the Shares and for each class or series of Other Securities), the numerator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to the Reference Date, by the New Valley Group and the denominator of which is the number of Shares or such Other Securities (as the case may be) held as of the date hereof, or hereafter acquired prior to the Reference Date, by the New Valley Group and the BGL Group;

provided, however, that (x) the amount of any percentage payment to which High River is entitled at any time under this Section 5(d) shall be reduced by the product of (1) the amount of any fee which High River shall have theretofore been paid by New Valley under Section 5(a) of this Agreement or by BGLS under Section 4(a) of the BGL Agreement, multiplied by (2) the Sale Fraction or the Holdings Fraction, as the case may be, (y) in the event that (1) the New Valley Group or the BGL Group realizes a Net Loss on any sale of Shares or any Other Securities of any class or series, or a Net Loss exists on the Reference Date in respect of any Shares or any Other Securities of any class or series held by the New Valley Group or the BGL Group on the Reference Date, and (2) High River has theretofore received any percentage payments from New Valley pursuant to this Section 5(d) or from BGLS pursuant to Section 4(c) of the BGL Agreement, then in each such event High River shall repay or cause to be repaid to New Valley promptly upon receipt of notice from New Valley an amount equal to the product of (1) the excess, if any, of (X) 20% of such Net Loss over (Y) the aggregate amount of such percentage payments theretofore received by High River, multiplied by (2) a fraction, the numerator of which is the aggregate amount of such percentage payments theretofore paid by New Valley and the denominator of which is the aggregate amount of such percentage payments theretofore paid by New Valley and BGLS and (z) High River shall not be entitled to any percentage payment under this Section 5(d) if New Valley shall have previously become entitled to the fee described in Section 5(b) of this Agreement or if BGL shall have previously become entitled to the fee described in Section 4(b) of the BGL Agreement. New Valley and NV Sub shall use their

reasonable best efforts to provide to High River (x) once each calendar week, commencing with the date of this Agreement, a report containing a reasonably detailed calculation of the number of Shares and the amount of Other Securities then held by the New Valley Group and the Weighted-Average Cost of such Shares and Other Securities, as well as a reasonably detailed estimate prepared in good faith of the New Valley Expenses incurred to that date and (y) promptly after the close of business on each business day on which any Shares are sold by the New Valley Group, a report setting forth the number of Shares or Other Securities sold since the close of business on the previous business day, the aggregate price realized in such sales and the aggregate commissions paid in such sales; provided, however, that New Valley and NV Sub shall not incur any liability or suffer any prejudice as a result of its provision of any such estimate.

(e) The parties hereto hereby acknowledge and agree that the arrangements in Section 5(d) with respect to percentage payments constitute a partnership for Federal income tax purposes and that the parties hereto shall file income tax returns in a consistent manner.

Section 6. Costs and Expenses. Each party hereto shall be solely responsible for all of its costs and expenses relating to this Agreement and the transactions contemplated hereby.

Section 7. Required Filings; Publicity. (a) Each of the parties hereto shall (and shall cause each of its affiliates to) (i) take all actions necessary to comply promptly with all legal requirements which may be imposed on such party (or its affiliates) as a result of this Agreement or any of the transactions contemplated hereby, and (ii) without limiting the foregoing, make all required filings pursuant to the Securities Act and the Exchange Act.

(b) To the extent reasonably practicable, the parties hereto shall consult with each other prior to all public statements or filings to be issued or made by any of them or their affiliates with respect to this Agreement and the transactions contemplated hereby.

Section 8. Representations and Warranties. (a) Each of the parties hereto hereby represents and warrants to the other parties hereto as follows:

(i) Such party is a corporation or partnership duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization, has full corporate or partnership power and authority to

execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(ii) The execution and delivery by such party of this Agreement and the performance by such party of its obligations hereunder have been duly and validly authorized by all necessary corporate or partnership action. This Agreement has been duly and validly executed and delivered by such party and constitutes a legal, valid and binding obligation of such party enforceable against such party in accordance with its terms.

(iii) The execution and delivery by such party of this Agreement do not, and the performance by such party of its obligations under this Agreement will not, conflict with or result in a violation or breach of any of the provisions of the certificate of incorporation, bylaws or other organizational documents of such party, any law or order applicable to such party or any of such party's contractual obligations to other persons, in each case, in any manner that would prevent or materially impede such party from fulfilling its obligations hereunder.

(b) New Valley and NV Sub hereby represent and warrant to High River that as of the date hereof the New Valley Group owns beneficially and of record 4,278,700 Shares, free and clear of all liens and encumbrances whatsoever, which Shares were purchased by the New Valley Group at an aggregate cost (exclusive of all brokerage fees and commissions incurred in the acquisition of such Shares) of $129,572,796, and in respect of which New Valley and NV Sub received dividends of $37,500 on July 3, 1995 and dividends of $298,387.50 on October 2, 1995. New Valley and NV Sub further represent that, upon the consummation of the purchase and sale of Purchased Shares contemplated by Section 1(a), High River will acquire title to the Purchased Shares, free and clear of all encumbrances and liens whatsoever.

(c) High River hereby represents and warrants to New Valley and NV Sub that as of the date hereof the High River Group owns beneficially and of record 1,205,900 Shares, free and clear of all liens and encumbrances whatsoever, which Shares were purchased by the High River Group at an aggregate cost (including all brokerage fees and commissions incurred in the acquisition of such Shares) of $33,173,434.30, and in respect of which High River received dividends of $452,212.50 on October 2, 1995. High River further represents and warrants that it has as of the date hereof, and will have on each date prior to the termination of this Agreement, net stockholders' or partners' equity of at least $22 million.

Section 9. Miscellaneous. (a) For purposes of this Agreement, (i) the terms "affiliate" and "associate" have the meanings assigned to them in Rule 12b-2 promulgated under the Exchange Act, provided that the BGL Group shall not be deemed to be "affiliates" or "associates" of the New Valley and NV Sub for any purpose of this Agreement, (ii) the term "shall" is used herein to refer to actions which are compulsory and thus to create binding obligations among the parties hereto, (iii) the terms "will," "expect," "expectation," "intend" and "intention," and other terms of similar import, are used herein solely to refer to the aspirations and objectives of the parties hereto and thus are not used herein to create binding obligations among the parties hereto and (iv) the term "may" is used herein solely to refer to conduct which is optional and not compulsory and thus is not used herein to create binding obligations among the parties hereto.

(b) The parties hereto shall have no rights, powers or duties except as specified herein, and no such rights, powers or duties shall be implied. Nothing herein shall give any party hereto the power to bind any other party hereto to any contract, agreement or obligation to any third party.

(c) All notices and other communications hereunder shall be in writing and shall be deemed given when received by the parties hereto at the following addresses (or at such other address for a party as shall be specified by like notice):

If to New Valley or NV Sub:

100 S.E. Second Street
Miami, Florida 33131
Attention: Bennett S. LeBow
Telecopy: (305) 579-8001

With a copy to:

Michael L. Hirschfeld, Esq.
Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005-1413
Telecopy: (212) 530-5219

If to High River:

c/o/ Icahn Associates Corp.
114 West 47th Street
19th Floor
New York, New York 10036
Attention: Carl C. Icahn
Telecopy: (212) 921-3359

With a copy to:

Marc Weitzen, Esq.
Gordon Altman Butowsky Weitzen
Shalov & Wein
114 West 47th Street
20th Floor
New York, New York 10036
Telecopy: (212) 626-0799

(d) This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement.

(e) This Agreement constitutes the entire agreement among the parties hereto and supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

(f) This Agreement shall be governed and construed in accordance with the laws of the state of New York applicable to a contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

(g) Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto; provided, however, that High River may assign any of its rights and interests hereunder to (i) any corporation incorporated in any state of the United States or in the District of Columbia if at least 98.5% of the shares of each class of capital stock of such corporation are owned by Carl C. Icahn (a "wholly-owned Icahn subsidiary"), either directly or through one or more wholly-owned Icahn subsidiaries or (ii) any partnership, the partners of which are all wholly-owned Icahn subsidiaries; and provided further that no such assignment shall relieve High River of any of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

(h) This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto. No waiver of any term or condition in this Agreement shall be effective unless set forth in writing and signed by or on behalf of the waiving party. No waiver by any party hereto of any term or condition of this Agreement shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

(i) The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their successors and permitted assigns and are not intended to confer upon any other person any rights or remedies hereunder.

(j) In the event that any party hereto prevails in any action or proceeding alleging a breach of this Agreement, such party shall be entitled to recover all reasonable attorney's fees and other costs of prosecuting such action or proceeding and, in addition, shall be entitled to receive simple interest on any damages awarded in such action or proceeding at the rate of 10% per annum from the date of such breach.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their representatives thereunto duly authorized, all as of the date first above written.

NEW VALLEY CORPORATION

By: /s/ BENNETT S. LEBOW

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

ALKI CORP.

By: /s/ BENNETT S. LEBOW

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

HIGH RIVER LIMITED PARTNERSHIP

By: RIVERDALE INVESTORS CORP., INC.
General Partner

By: /s/ EDWARD E.MATTNER

Name: Edward E. Mattner
Title: President

[Signature page to Agreement among New Valley Corporation, ALKI Corp. and High River Limited Partnership dated October 17, 1995

NEW VALLEY CORPORATION
ALKI CORP.
100 S.E. Second Street
Miami, Florida 33131

October 17, 1995

High River Limited Partnership
100 South Bedford Road
Mount Kisco, New York 10549
Attn: Carl C. Icahn

Dear Carl:

By executing this letter in the space provided below, New Valley Corporation, a New York corporation ("New Valley"), ALKI Corp., a Delaware corporation and a direct wholly owned subsidiary of New Valley ("NV Sub") and High River Limited Partnership, a Delaware limited partnership ("High River"), each hereby agree as follows:

1. Notwithstanding the terms of Sections 1(c)(ii)- (iv) of the Agreement by and among New Valley, NV Sub and High River, dated October 17, 1995 (the "New Valley Agreement"), New Valley and NV Sub ("New Valley Group") and High River and its affiliates ("High River Group") will calculate the aggregate number and the average price of all shares of common stock, par value $.01 per share, of RJR Nabisco Holding Corp. ("Shares") owned by New Valley Group and High River Group, respectively, on a periodic basis, with emphasis on doing so when the parties own a similar number of Shares, and make payments to one another in immediately available funds, so that after giving effect to such payments, the New Valley Group and the High River Group will have invested the same amount in Shares (exclusive of brokerage fees and commissions incurred in such acquisitions).

2. Strict compliance with Section 1(c)(ii)-(iv) of the New Valley Agreement is not required, notwithstanding the terms thereof.

3. Nothing herein contained shall be construed to otherwise abrogate the rights and obligations of the parties to this letter agreement with respect to all other provisions of the New Valley Agreement.

Please indicate your agreement with and acceptance of the terms and provisions of this letter by signing below.

If the foregoing reflects your understanding, please sign this letter below. Upon your execution hereof, this letter agreement will become a binding contract between us.

Very truly yours,
By: /s/ BENNETT S. LEBOW

Bennett S. LeBow

Accepted and Agreed to:

HIGH RIVER LIMITED PARTNERSHIP

By: RIVERDALE INVESTORS CORP., INC.
General Partner

By: /s/ EDWARD E. MATTNER

Edward E. Mattner
President

[Signature page for letter agreement by and among New Valley Corporation, ALKI Corp. and High River Limited Partnership]

High River Limited Partnership
100 South Bedford Road
Mount Kisco, New York 10549

November 5, 1995

New Valley Corporation
ALKI Corp.
100 S.E. Second Street
Miami, Florida 33131
Attn: Bennett S. LeBow

Dear Bennett:

By executing this letter in the space provided below, New Valley Corporation, a New York corporation ("New Valley"), ALKI Corp., a Delaware corporation and a direct wholly-owned subsidiary of New Valley ("NV Sub") and High River Limited Partnership, a Delaware limited partnership ("High River"), each hereby agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Agreement by and among New Valley, NV Sub and High River, dated October 17, 1995 (the "New Valley Agreement").

2. Section 1(b)(iii) of the New Valley Agreement is hereby amended to add the following to the end of the subsection:

> "; provided, however, that neither High River nor the New Valley Group shall have any obligation to make a Second Stage Investment unless and until the New Valley Group gives notice ("Second Stage Notice") to High River of the New Valley Group's intention to proceed with and make its Second Stage Investment."

3. Notwithstanding the terms of Sections 1(c)(ii)- (iv) of the New Valley Agreement and the letter agreement by and among New Valley, NV Sub and High River, dated October 17, 1995 (the "Letter Agreement"), following the First Stage Completion Date and prior to the earlier of (i) such time that New Valley, NV Sub and any assignee of the foregoing ("New Valley Group") beneficially own a number of shares of common stock, par value $.01 per share, of RJR Nabisco Holdings Corp. ("Shares") equal to or greater than the number of Shares beneficially owned by High River and its affiliates ("High River Group") (the "Catch Up Date") and (ii) both New Valley Group and High River Group have made investments in Shares equal to at least the Second Stage

Investment (the "Second Stage Completion Date"), neither High River Group nor New Valley Group shall be obligated to make or cause to be made to the other party:

(i) such transfer of Shares and such payments as would have been necessary so that, after giving effect to such transfers and payments, New Valley Group and High River Group would have acquired the same number of Qualifying Shares;

(ii) such payments as would have been necessary so that, after giving effect to such payments, New Valley Group and High River Group would have invested the same amount in Qualifying Shares (exclusive of brokerage fees and commissions incurred in such acquisitions); or

(iii) such transfer of Non-Qualifying Shares or payment for Non-Qualifying Shares in accordance with Section 1(c)(iii) of the New Valley Agreement.

In the event that the Catch Up Date precedes the Second Stage Completion Date and following the Catch Up Date (but prior to the Second Stage Completion Date) New Valley Group purchases Shares, then (x) the parties shall calculate the aggregate number and the average price of all Qualifying Shares acquired after the Catch Up Date by New Valley Group and High River Group, respectively, on a periodic basis, with emphasis on doing so when the parties own a similar number of Shares, and make payments to one another in immediately available funds, so that after giving effect to such payments, New Valley Group and High River Group will have invested the same amount in Qualifying Shares acquired after the Catch Up Date (exclusive of brokerage fees and commissions incurred in such acquisitions); (y) New Valley Group may, in accordance with Section 1(c)(iii) of the New Valley Agreement, put to High River Non-Qualifying Shares at the Hurdle Price; and (z) the parties shall follow the even up procedures set forth in Section 1(c)(v) of the New Valley Agreement. In the event that following the Catch Up Date, New Valley does not purchase Shares, then clauses (i)-(iii) of this Paragraph 3 shall remain in effect.

4. Section 1(d)(i) of the New Valley Agreement is hereby amended to delete the first two lines in their entirety and to substitute in lieu thereof the following:

"Except as provided in subpart (ii) of this subparagraph (d) and except as provided in Section 9(g) of this Agreement, until the termination of this Agreement,"

5. Notwithstanding Section 1(d) of the New Valley Agreement, if at any time subsequent to the First Stage Completion Date but prior to the Second Stage Completion Date, High River Group beneficially owns more Shares than New Valley Group, then High River Group may sell, transfer or otherwise

dispose of ("Transfer") Shares beneficially owned by it, provided that following such Transfer, the number of Shares beneficially owned by High River Group would not be less than the number of Shares beneficially owned by New Valley Group, as reflected in New Valley Group's last written notice to High River Group in accordance with Section 1(c)(i) of the New Valley Agreement.

6. Section 3(b)(ii)(B) of the New Valley Agreement is hereby amended to delete the subsection in its entirety and to substitute in lieu thereof the following:

> "(B) a party hereto which is not a member of such selling or offering Group thereafter terminates this Agreement prior to or on the tenth day after the first date that such party becomes aware that such event has occurred,"

7. New Valley Group shall promptly make any payments due under Section 5(d) of the New Valley Agreement and Section 4(c) of the Agreement among Brooke Group Ltd., BGLS Inc. and High River dated October 17, 1995 (the "BGL Agreement"). In the event that High River Group believes that New Valley Group has breached any of its obligations under Section 5(d) of the New Valley Agreement or Section 4(c) of the BGL Agreement, the parties shall promptly follow the procedures set forth in Section 1(c)(v) of the New Valley Agreement in order to resolve the dispute. If the Arbitrator determines that (i) New Valley Group is required to make a payment pursuant to Section 5(d) of the New Valley Agreement and/or Section 4(c) of the BGL Agreement, New Valley Group shall make or cause to be made such payment within twenty (20) days after receiving the Arbitrator's notice of decision. In the event that New Valley Group fails to make such payment within twenty (20) days after receipt of the Arbitrator's notice of decision, New Valley Group shall immediately pay or cause to be paid to High River Group an additional sum in the amount of $50 million.

8. The first sentence of Section 9(g) of the New Valley Agreement is hereby amended to add the following to the end of the sentence:

> "; and provided, however, that the New Valley Group may assign any of its rights and interests hereunder to (i) any corporation incorporated in any state of the United States or in the District of Columbia if 100% of the shares of each class of capital stock of such corporation are owned by New Valley (a "wholly-owned New Valley subsidiary"), either directly or through one or more wholly-owned New Valley subsidiaries or (ii) any partnership, the partners of which are all wholly-owned New Valley subsidiaries; and provided, further, that no such assignment shall relieve the New Valley Group of any of its obligations hereunder."

9. In the event that prior to February 1, 1996 (i) New Valley Group provides High River Group with notice of

termination of the New Valley Agreement or BGL Group provides High River with notice of termination of the BGL Agreement at a time when a Termination Event (as defined in the BGL Agreement) set forth in Section 3(c)(vii) or 3(c)(viii) of the BGL Agreement has occurred or (ii) High River Group provides New Valley Group with notice of termination of the New Valley Agreement or provides BGL Group with notice of termination of the BGL Agreement at a time when a Termination Event set forth in Section 3(c)(ix)(A) of the BGL Agreement has occurred, New Valley Group shall not transfer any Shares beneficially owned by New Valley Group until February 1, 1996 in consequence of or in reliance upon such notice of termination. If the notice of termination specified in clause (i) of the preceding sentence is provided after January 16, 1996, and the aggregate number of Shares beneficially owned by High River Group exceeds the aggregate number of Shares beneficially owned by New Valley Group plus BGL Group (collectively, the "Aggregate LeBow Shares"), New Valley Group shall not Transfer any Shares beneficially owned by New Valley Group for fifteen (15) days following receipt by High River Group of New Valley Group's or BGL Group's notice of termination; provided, however, that on such date not before February 1, 1996 that the aggregate number of Shares beneficially owned by High River Group is equal to or less than the Aggregate LeBow Shares, and thereafter, New Valley Group may Transfer any Shares beneficially owned by New Valley Group.

10. In the event that High River Group provides New Valley Group with notice of termination of the New Valley Agreement or provides BGL Group with notice of termination of the BGL Agreement at a time when a Termination Event under any of Sections 3(c)(ix)(B) through (E) of the New Valley Agreement has occurred and the aggregate number of shares beneficially owned by High River Group exceeds the Aggregate LeBow Shares, New Valley Group shall not Transfer any Shares beneficially owned by New Valley Group in consequence of or in reliance upon such notice of termination until the earlier of (i) fifteen (15) days following receipt by New Valley Group or BGL Group of High River Group's notice of termination specified in the preceding sentence and (ii) the date that the aggregate number of Shares beneficially owned by High River Group is equal to or less than the Aggregate LeBow Shares.

11. Nothing herein contained shall be construed to otherwise abrogate the rights and obligations of the parties to this letter agreement with respect to all other provisions of the New Valley Agreement, the BGL Agreement and the Letter Agreement.

If the foregoing reflects your understanding, please sign this letter below. Upon your execution hereof, this letter agreement will become a binding contract between us.

Very truly yours,

HIGH RIVER LIMITED PARTNERSHIP

By: RIVERDALE INVESTORS CORP., INC.
Its: General Partner

By: /s/ EDWARD E. MATTNER

Name: Edward E. Mattner
Title: President

Agreed to and Accepted:

NEW VALLEY CORPORATION

By: /s/ BENNETT S. LEBOW

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

ALKI CORP.

By: /s/ BENNETT S. LEBOW

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

[Signature page for letter agreement by and among New Valley Corporation, ALKI Corp. and High River Limited Partnership, dated November 5, 1995]

December 28, 1995

Mr. Bennett S. LeBow
BROOKE GROUP LTD.
NEW VALLEY CORPORATION
LIGGETT GROUP INC.
100 S.E. 2nd Street
32nd Floor
Miami, FL 33131

Dear Mr. LeBow:

1. Retention. This letter agreement (the "Agreement") confirms that New Valley Corporation ("New Valley"), Brooke Group Ltd. ("Brooke"), and Liggett Group Inc. ("Liggett", and with New Valley and Brooke, the "Companies") have engaged Jefferies & Company, Inc. ("Jefferies" or the "Financial Advisor") as the lead financial advisor to provide advisory services to the Companies in connection with New Valley's investment (the "Investment") in RJR Nabisco Holdings Corp. (together with its successors, "RJR") and Brooke's solicitation of consents from shareholders of RJR, as contemplated by materials on file with the Securities and Exchange Commission, which seeks, among other things, to have RJR spin-off or otherwise distribute its food business to RJR shareholders (the "Solicitation").

As used in this Agreement, (a) the term "affiliate" shall mean, with respect to any person, any other person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such person and (b) the term "representative" shall mean, with respect to any person, any director, officer, employee, agent, advisor or other representative of such person.

2. Information on the Companies. The Companies will furnish Jefferies with all material and information regarding the business and financial condition of the Companies and RJR as Jefferies may request (the "Information"). To the best of the Companies' knowledge, the Companies represent and warrant to Jefferies that all of the Information to be furnished by the Companies, when delivered, will be true and accurate in all material respects and will not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Companies shall advise Jefferies promptly if they learn of the occurrence of any event or any other change that results in the Information containing any untrue statement of a material fact or

omitting to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Companies recognize and confirm that Jefferies (i) will be relying solely on such Information and other information available from generally recognized public sources in performing the services contemplated hereunder without having independently verified the accuracy or completeness of the same, (ii) does not assume responsibility for the accuracy or completeness thereof, and (iii) will make appropriate disclaimers consistent with the foregoing in dealing with third parties.

3. Use of Name. Except to the extent required by law, the Companies agree that any reference by the Companies or any of their respective affiliates to the Financial Advisor in any release, communication or material is subject to the Financial Advisor's prior written approval, which approval shall not be unreasonably withheld. Except to the extent required by law, if the Financial Advisor resigns prior to the dissemination of any such release, communication or material, no reference shall be made therein to the Financial Advisor. If reference to the Financial Advisor is required by law, the Companies shall consult with the Financial Advisor prior to such public reference and the form and timing of such reference shall be reasonably satisfactory to the Financial Advisor.

4. Use of Advice. No advice rendered by the Financial Advisor in connection with the services performed pursuant to this Agreement will be quoted by the Companies or any of their respective affiliates, nor will any such advice be referred to, in any report, document, release or other communication, whether written or oral, prepared, issued or transmitted by the Companies or their affiliates, without the prior written authorization of Jefferies, which approval shall not be unreasonably withheld, except to the extent required by law. If reference to the Financial Advisor is required by law, the Companies shall consult with the Financial Advisor prior to such public reference and the form and timing of such reference shall be reasonably satisfactory to the Financial Advisor.

5. Compensation. In payment for services rendered and to be rendered hereunder by Jefferies, each of the Companies agrees, to the extent provided below, to pay to Jefferies as follows:

a. Upon acceptance of this Agreement by the Companies (the date of such acceptance, the "Acceptance Date"), New Valley will pay or cause to be paid to Jefferies an initial nonrefundable cash fee of $1,500,000.

b. The Companies agree to pay or cause to be paid to Jefferies, on the Payment Date, as defined in Schedule B attached hereto, a nonrefundable cash fee equal to 10% of the Companies' Net Profit, as defined in Schedule B attached hereto, as of the later of (i) the date (the "Termination Date") that this Agreement is terminated, whether pursuant to Sections 9 or 17 hereof or otherwise, or (ii) the Reference Date, as defined in Schedule B attached hereto; provided that the amount payable to Jefferies by reason of this Section 5(b) shall not exceed $15,000,000. In no event will Jefferies be required to pay or cause to be paid any amount to the Companies under this Section 5(b), and the obligation of each of the Companies under this Section 5(b) shall be several and not joint and limited solely to the portion of the Companies' Net Profit attributable to Shares, as defined in Schedule B attached hereto, owned by such Company. The Companies will provide Jefferies with a detailed statement calculating Net Profit within 7 days of the Termination Date or the Reference Date (as applicable) and provide Jefferies promptly with any back-up reasonably requested by Jefferies. In the event that Jefferies disputes the calculation of Net Profit, it will notify the Companies and the Companies and Jefferies will negotiate in good faith to determine a mutually acceptable calculation of Net Profit within 15 days of such notification. If Jefferies and the Companies are unable to agree on the calculation of Net Profit, Net Profit will be determined by a panel of three arbitrators applying the rules of the American Arbitration Association, one of which will be chosen by the Companies, one by Jefferies and the third by the other two arbitrators. The decision of the panel of arbitrators will be final and binding and the costs of the arbitration will be borne equally by Jefferies and the Companies.

c. During the term of this Agreement, New Valley will pay or cause to be paid to Jefferies a nonrefundable monthly cash fee (the "Monthly Fee") of $250,000, payable in arrears, with the first payment of $250,000 for January 1996

due on the first day of February 1996. In addition, for each of the first five full months following the Acceptance Date, New Valley will pay or cause to be paid to Jefferies an additional nonrefundable monthly cash fee of $100,000, payable in arrears, with the first payment due on the first day of February 1996.

d. In addition to the compensation to be paid to Jefferies as provided in this Section 5, New Valley shall pay to, or on behalf of, Jefferies, promptly as billed, all reasonable out-of-pocket expenses incurred by Jefferies in connection with its services to be rendered hereunder (including, without limitation, the fees and disbursements of Jefferies' outside counsel (up to a maximum of $250,000, above which amount shall not be incurred without the prior approval of New Valley), travel and lodging expenses, word processing charges, messenger and duplicating services, facsimile expenses and other customary expenditures).

e. The Companies and Jefferies agree that the sole current responsibility of Jefferies hereunder is to provide advisory services to the Companies in connection with the Investment and the Solicitation. The Companies have advised Jefferies that their only current purpose in engaging Jefferies and taking action with respect to the Investment is to seek to have RJR spin-off its food businesses. In light of RJR's publicly stated opposition to this strategy, the Companies have determined that it is necessary to preserve their flexibility to act to protect and enhance the value of the Investment should RJR choose not to spin-off its food businesses following the completion of the Solicitation. In that regard, Brooks has given RJR notice of its intention to nominate persons for election to the Board of Directors of RJR in order to preserve the ability to solicit proxies to effect a change in the composition of the Board of Directors of RJR even though the Companies have not determined to take such action. In the event the Companies determine to pursue the election of Brooke's nominees, the Companies will be required to engage Jefferies to provided services as the Companies' lead financial advisor. Any such engagement shall be pursuant to a separate engagement letter which shall provide for compensation in amounts and on terms to be mutually agreed upon.

f. No fee paid or payable to Jefferies or any of its affiliates hereunder shall be credited against any other fee paid or payable to Jefferies or any of its affiliates.

6. Representations and Warranties. The Companies represent and warrant to Jefferies that (a) this Agreement has been duly authorized, executed and delivered by the Companies; and, assuming the due execution by the Financial Advisor, constitutes a legal, valid and binding agreement of the Companies, enforceable against the Companies, in accordance with its terms and (b) any materials delivered to RJR stockholders by the Companies or any of their respective affiliates (the "Materials") will not, when delivered, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Companies agree to advise the Financial Advisor promptly if they learn of the occurrence of any event or any other change which results in the Information or the Materials containing any untrue statement of a material fact or omitting to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

7. Indemnity and Proceedings. In partial consideration of the services to be rendered hereunder, the Companies agrees to indemnify Jefferies and certain other indemnified persons in accordance with Schedule A attached hereto. In addition, the Companies shall not, and shall cause its affiliates not to, initiate any action or proceeding against Jefferies or any other Indemnified Person (as defined in Schedule A hereto) in connection with this engagement unless such action or proceeding is based solely upon the willful misconduct or gross negligence of Jefferies or any such other Indemnified Person.

8. Consent; No Conflict. Each signatory hereto acknowledges and agrees that Jefferies has rendered and may be requested to render certain services unrelated to this engagement to other parties who may have or will have an interest in RJR, and that any such services rendered in the past or to be rendered by Jefferies hereunder or in the future do not represent any actual or potential conflicts of interest on the part of Jefferies.

9. Termination; Survival of Certain Provisions. Jefferies may resign at any time and the Companies may terminate Jefferies' services at any time, each by giving written notice to the other. If Jefferies resigns or the Companies terminate Jefferies' services for any reason, Jefferies shall be entitled to receive all of the amounts due pursuant to Section 5 hereof up to and including the effective date of such termination or resignation, as the case may be. This Section 9, the provisions of Sections 3, 4, 5(e), 6, 7 and 8 hereof and Schedules A and B attached hereto, shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Financial Advisor or any of its affiliates, (b) the resignation of the Financial Advisor or any termination of the Financial Advisor's services, or (c) the expiration of the Term or any other termination of this Agreement, and shall be binding upon, and shall inure to the benefit of, any successors, assigns, heirs and personal representatives of the Companies, the Financial Advisor and the indemnified parties identified in Schedule A attached hereto.

10. Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Companies, at the address set forth above, Attention: Richard J. Lampen, Executive Vice President and General Counsel and (b) if to Jefferies, at the offices of Jefferies at 11100 Santa Monica Boulevard, Suite 1000, Los Angeles, California 90025, Attention: Jerry M. Gluck, Executive Vice President and General Counsel.

11. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

12. Third Party Beneficiaries. This Agreement has been and is made solely for the benefit of the Companies, the Financial Advisor and the other indemnified persons referred to in Schedule A hereof and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement.

13. Construction. This Agreement incorporates the entire understanding of the parties and supersedes all previous agreements relating to the subject matter hereof, including the

letter agreement dated December 13, 1995 between New Valley and Jefferies, which shall be of no further force and effect. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law.

14. Headings. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not part of this Agreement.

15. Press Announcements. At any time, the Financial Advisor may, at its own expense, place an announcement in such newspapers and publications as it may choose, stating that the Financial Advisor has acted as lead financial advisor to the Companies in connection with the Investment and Solicitation as contemplated by this Agreement.

16. Amendment. This Agreement may not be modified or amended except in a writing duly executed by the parties hereto.

17. Term. Except as otherwise provided herein, this Agreement shall run from the date of this letter to a date of two years thereafter, unless extended by mutual consent of the parties (the "Term").

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the Companies and Jefferies as of the date first above written.

Sincerely,

JEFFERIES & COMPANY, INC.

By: /s/ ANDREW R. WHITTAKER

Name: Andrew R. Whittaker
Title: Managing Director

Accepted and Agreed:

BROOKE GROUP LTD.

By /s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board,
President and Chief
Executive Officer

NEW VALLEY CORPORATION

By /s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board,
President and Chief
Executive Officer

LIGGETT GROUP INC.

By /s/ ROUBEN V. CHAKALIAN

Rouben V. Chakalian
Chairman of the Board,
President and Chief
Executive Officer

SCHEDULE A

December 28, 1995

JEFFERIES & COMPANY, INC.
11100 Santa Monica Boulevard, 10th Floor
Los Angeles, CA 90025

Ladies and Gentlemen:

This letter agreement is entered into pursuant to, and in order to induce Jefferies & Company, Inc. ("Jefferies" or the "Financial Advisor") to enter into, the engagement letter dated the date hereof (as amended from time to time, the "Agreement") between NEW VALLEY CORPORATION ("NEW VALLEY"), BROOKE GROUP LTD. ("BROOKE"), and LIGGETT GROUP INC. ("LIGGETT", and with New Valley and Brooke, the "Companies") and Jefferies. Unless otherwise noted, all capitalized terms used herein shall have the meanings set forth in the Agreement.

Since Jefferies will be acting on behalf of the Companies in connection with the Investment and the Solicitation as contemplated by the Agreement, and as part of the consideration for the agreement of Jefferies to furnish its services pursuant to such Agreement, New Valley and Brooke agree to jointly and severally indemnify and hold harmless Jefferies and its affiliates and their respective officers, directors, partners, counsel, employees and agents, and any other persons controlling Jefferies or any of its affiliates within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934, and the agents, employees, officers, directors, partners, counsel and shareholders of such persons (Jefferies and each such other person being referred to as an "Indemnified Person"), to the fullest extent lawful, from and against all claims, liabilities, losses, damages and expenses (or actions in respect thereof), as incurred, related to or arising out of or in connection with (i) actions taken or omitted to be taken by the Companies or any of their respective affiliates or the directors, officers, employees or agents of any of them, or (ii) actions taken or omitted to be taken by any Indemnified Person (including acts or omissions constituting ordinary negligence) pursuant to the terms of, or in connection with services rendered pursuant to, the Agreement or any transaction or proposed transaction contemplated thereby or any Indemnified Person's role in connection therewith, provided, however, that New Valley and Brooke shall not be responsible for any losses, claims, damages, liabilities or expenses of any Indemnified Person to the extent that it is finally judicially determined that they result solely from actions taken or omitted to be taken by such Indemnified Person in bad faith or to be due solely to such Indemnified Person's gross negligence, and (iii) any untrue statement or alleged untrue statement of a material fact contained in the Information

or the Materials, or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The Companies shall not, and shall not permit any of their respective affiliates to, settle, compromise, consent to the entry of any judgment in, or otherwise seek to terminate any pending or threatened action, claim, suit or proceeding in which any Indemnified Person is or could be a party and as to which indemnification or contribution could have been sought by such Indemnified Person hereunder (whether or not such Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes an express unconditional release of such Indemnified Person, satisfactory in form and substance to such Indemnified Person, from all claims, liabilities, losses and damages arising out of such action, claim, suit or proceeding.

If for any reason (other than the bad faith or gross negligence of an Indemnified Person as provided above) the foregoing indemnity is unavailable to an Indemnified Person or insufficient to hold an Indemnified Person harmless, then New Valley and Brooke, to the fullest extent permitted by law, shall contribute to the amount paid or payable by such Indemnified Person as a result of such claims, liabilities, losses, damages or expenses in such proportion as is appropriate to reflect the relative benefits received by the Companies and any of their respective affiliates on the one hand and by Jefferies on the other, from the transaction or proposed transaction under the Agreement or, if allocation on that basis is not permitted under applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by the Companies and any of their respective affiliates on the one hand and Jefferies on the other, but also the relative fault of the Companies and any of their respective affiliates and Jefferies, as well as any relevant equitable considerations. Notwithstanding the provisions hereof, the aggregate contribution of all Indemnified Persons to all claims, liabilities, losses, damages and expenses shall not exceed the amount of fees actually received by Jefferies pursuant to the Agreement and New Valley and Brooke hereby agree to contribute such amount as is necessary to give effect to this limitation. It is hereby further agreed that the relative benefits to the Companies and any of their respective affiliates on the one hand and Jefferies on the other with respect to any transaction or proposed transaction contemplated

by the Agreement shall be deemed to be in the same proportion as (i) the total value of the transaction bears to (ii) the fees paid to Jefferies with respect to such transaction. The relative fault of the Companies and any of their respective affiliates on the one hand and Jefferies on the other with respect to the transaction shall be determined by reference to, among other things, whether any 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 Companies and any of their affiliates or by Jefferies and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Companies and Jefferies agree that it would not be just and equitable if contribution were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to herein. No Indemnified Person shall have any liability to the Companies or any officer, director, employee or affiliate of the Companies in connection with the services rendered pursuant to the Agreement except for any liability for claims, liabilities, losses or damages finally judicially determined to have resulted solely from actions taken or omitted to be taken by such Indemnified Person in bad faith or as a result of gross negligence.

The indemnity, contribution and expense reimbursement obligations set forth herein (i) shall be in addition to any liability the Companies may have to any Indemnified Person at common law or otherwise, (ii) shall survive the expiration of the Term, (iii) shall apply to any modification of Jefferies' engagement and shall remain in full force and effect following the completion or termination of the Agreement, (iv) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Jefferies or any other Indemnified Person and (v) shall be binding on any successor or assign of the Companies and successors or assigns to all or substantially all of the Companies' business and assets.

In addition, New Valley agrees to reimburse the Indemnified Persons for all expenses (including fees and expenses of counsel) as they are incurred in connection with investigating, preparing or defending any such action or claim, whether or not in connection with litigation in which any Indemnified Person is a named party. If any of Jefferies' personnel appears as witnesses, are deposed or are otherwise involved in the defense of any action against Jefferies, the Companies or the directors of the Companies, New Valley will pay

Jefferies (i) with respect to each day after the Termination Date that one of Jefferies' professional personnel appears as a witness or is deposed and/or (ii) with respect to each day after the Termination Date that one of Jefferies' professional personnel is involved in the preparation therefor, (a) a fee of $2,500 per day for each such person with respect to each appearance as a witness or for a deposition and (b) at a rate of $250 per hour with respect to each hour of preparation for any such appearance and New Valley will reimburse Jefferies for all reasonable out-of-pocket expenses incurred by Jefferies by reason of any of its personnel being involved in any such action.

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the Companies and Jefferies as of the date of the Agreement.

Sincerely,

BROOKE GROUP LTD.

By_____
Bennett S. LeBow
Chairman of the Board,
President and Chief
Executive Officer

NEW VALLEY CORPORATION

By_____
Bennett S. LeBow
Chairman of the Board,
President and Chief
Executive Officer

LIGGETT GROUP INC.

By /s/ ROUBEN V. CHAKALIAN

Rouben V. Chakalian
Chairman of the Board,
President and Chief
Executive Officer

Accepted and Agreed:

JEFFERIES & COMPANY, INC.

By: /s/ ANDREW R. WHITTAKER

Name: Andrew R. Whittaker
Title: Managing Director

SCHEDULE B

December 28, 1995

Certain Definitions. For purposes of Section 5(b) of this Agreement, the following terms shall have the meanings indicated below:

(a) "Shares" means all shares of capital stock of RJR owned by any of the Companies and any of their respective affiliates as of the date hereof or acquired by any such person thereafter but on or prior to the Termination Date, as part of the "First Stage Investment" or "Second Stage Investment" as defined in Section 1(b) of the High River Agreement (as defined below).

(b) "Other Securities" means any securities or assets (other than cash) received by the Companies or any of their respective affiliates in respect of the Shares, whether by way of a dividend or other distribution in respect of such Shares, in exchange for such Shares, pursuant to a reclassification of such Shares, or otherwise.

(c) The "Trading Profit" realized in any sale of any Shares or any Other Securities means the amount, if any, by which the actual price realized in such sale, net of all brokerage fees and commissions incurred in such sale, exceeds or is less than the Weighted-Average Cost (as defined below) of the Shares or the Other Securities. The "Trading Profit" existing on the Termination Date or the Reference Date (as applicable) in respect of any Shares or Other Securities held by the Companies as of such date means the amount, if any, by which the Market Value (as defined below) as of the Termination Date or the Reference Date (as applicable) exceeds or is less than the Weighted-Average Cost of such Shares or such Other Securities.

(d) The "Expenses" means the "New Valley Expenses" as defined in Section 4(d) of the High River Agreement, excluding the fees due to Jefferies under Section 5(b) of this Agreement.

(e) The "Net Profit" as of the Termination Date or Reference Date (as applicable) means the sum of (A) (i) the aggregate Trading Profit realized on all sales of Shares or Other Securities by the Companies prior to the Termination Date or Reference Date (as applicable) or existing on the Termination Date or Reference Date (as applicable) with respect to such Shares or Other Securities held by the Companies as of such date, less (ii) the aggregate Expenses incurred on or prior to the Termination Date or Reference Date (as applicable), plus, without duplication, (B) any cash, property or securities (other than Other Securities included in clause (A) or cash dividends or distributions received in respect of the Shares or Other Securities or the Market Value (as of the date received) of any

securities or assets (other than cash) received by the Companies in respect of Other Securities by way of any dividend or distribution), received by the Companies or any of their respective affiliates from RJR for any reason on or before the Termination Date or within one year after the Termination Date. (If the cash, property or securities referred to in clause (B) is received after the Termination Date, the Companies agree to pay Jefferies the amount required thereby promptly after it receives such amount.)

(f) The "Weighted-Average Cost" of any Shares means (i) the weighted-average cost of all Shares (including all brokerage fees and commissions incurred in the acquisition of such Shares and including an amount equivalent to simple interest on the cost of any Shares at the rate of 8 1/2% per annum from the date of payment for such Shares, but excluding any other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to acquire or carry such Shares), calculated in accordance with generally accepted accounting principles, reduced by (ii) the sum of (A) the amount of any cash dividends or distributions received in respect of such Shares and the Market Value (as of the date received) of any Other Securities received in respect of such Shares by way of any dividend or distribution, plus (B) an amount equivalent to simple interest on such amount and such Market Value at the rate of 8 1/2% per annum from such date received; provided, however, that any exchange of Shares into Other Securities shall be treated for purposes of calculating the Weighted-Average Cost of the remaining Shares as a sale of the Shares so exchanged or reclassified at a price equal to their Weighted-Average Cost.

(g) The "Weighted-Average Cost" of any Other Securities means (i) in the case of any Other Securities received by way of any dividend or distribution, the Market Value of such Other Securities as of the date received, plus an amount equivalent to simple interest on such Market Value at the rate of 8 1/2% per annum from the date of receipt of such Other Securities, but excluding any other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to carry such Other Securities and (ii) in the case of any Other Securities received by the Companies by way of any exchange of Shares for Other Securities or reclassification of Shares into Other Securities, an amount equal to the Weighted-Average Cost of the Shares so exchanged or reclassified, plus an amount equivalent to simple interest on such amount at the rate of 8 1/2% per annum from the date of receipt of such Other Securities, but excluding any

other interest, fees, premiums and other costs of any loans or borrowings incurred or maintained to carry such Other Securities; provided, however, that the Weighted-Average Cost of any Other Securities shall be reduced by the sum of (A) the amount of any cash dividends or distributions received by the Companies in respect of such Other Securities and the Market Value (as of the date received) of any securities or assets (other than cash) received by the Companies in respect of such Other Securities by way of any dividend or distribution plus (B) an amount equivalent to simple interest on the amount of such cash or the Market Value of such securities or other assets at the rate of 8 1/2% per annum from the date received.

(h) The "Market Value" of any securities as of any date means the product obtained by multiplying (i) the number or amount of such securities by (ii) the average of the daily closing prices per share or other unit of such securities for the ten consecutive trading days (or, if such securities have not traded for ten consecutive trading days, such lesser number of trading days as they have traded) on or prior to such date. For this purpose, the "closing price" of any securities as of any date means, the closing sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices per share or other unit for such securities, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such securities are not then listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such securities are listed or admitted to trading or, if such securities are not then listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices, per share or other unit for such securities in the over-the-counter market, as reported by the NASDAQ system or, if such system is not in use, any other similar system then in use, or, if on any such date such securities are not then quoted by any such system, the average of the closing bid and asked prices per share or other unit for such securities as furnished by a professional market maker making a market in such securities selected by mutual agreement of the Companies and Jefferies or, if no such person then makes a market in such securities, the fair market value of such securities, as determined by an independent, nationally recognized investment banking or

appraisal firm selected by mutual agreement of the Companies and Jefferies; provided, however, that if any dividend or distribution shall have been declared but not paid in respect of such securities as of the date in question, and the ex-dividend date for the determination of the holders of securities entitled to receive such dividend or distribution shall occur prior to the date of valuation, the "Market Value" of such securities shall be appropriately increased by the value of such dividend or distribution (as determined by mutual agreement of the Companies and Jefferies, or if they cannot agree, by an independent, nationally recognized investment banking or appraisal firm selected by mutual agreement of the Companies and Jefferies, or if they cannot agree, selected by the American Arbitration Association).

(i) The "Market Value" of any assets other than securities means the fair market value of such assets, as determined by an independent, nationally recognized investment banking or appraisal firm selected by mutual agreement of the Companies and Jefferies, or if they cannot agree, selected by the American Arbitration Association.

(j) The "Payment Date" means the later of (i) 30 days after the Termination Date or (ii) 30 days after the "Reference Date" as that term is defined in Section 5(a) of the High River Agreement.

(k) The "High River Agreement" means the Agreement dated October 17, 1995, as amended, among New Valley and High River Limited Partnership.

February 28, 1996

Mr. Bennett S. LeBow
BROOKE GROUP LTD.
NEW VALLEY CORPORATION
LIGGETT GROUP INC.
100 S.E. 2nd Street
32nd Floor
Miami, FL 33131

Dear Mr. LeBow:

This letter amends and supplements the engagement letter (the "Agreement") dated December 28, 1995 by and between Jefferies & Company, Inc. ("Jefferies") and New Valley Corporation ("New Valley"), Brooke Group Ltd. ("Brooke") and Liggett Group Inc. ("Liggett", and with New Valley and Brooke, the "Companies"). Except as expressly set forth herein, all provisions of the Agreement remain in full force effect. Without limiting the foregoing, the indemnity and contribution provisions of the Agreement, including Schedule A thereto, remain in full force effect and shall now apply to the additional services contemplated by Section 1 of this amendment. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

1. Retention. Section 1 of the Agreement is amended by adding the following to the end of such Section:

This letter agreement confirms that the Companies have engaged Jefferies as the lead financial advisor to provide advisory services to the Companies in connection with Brooke's solicitation of proxies for the Board of Directors from the shareholders of RJR, as contemplated by materials on file with the Securities and Exchange Commission (the "Proxy Solicitation") in addition to Jefferies responsibilities as lead financial advisor to the Companies as set forth in this Section.

5. Compensation. Section 5(c) of the Agreement is amended by replacing it in its entirety with the following:

(c) During the period ending April 30, 1996, New Valley will pay or cause to be paid to Jefferies a nonrefundable monthly cash fee (the "Monthly Fee") of $250,000, payable in arrears, with the first payment of $250,000 for January 1996 due on the first day of February 1996. From the first day on which the Proxy Solicitation materials were filed with the SEC, February 20, 1996, the Monthly Fee will increase to $500,000, which amount will be pro-rated for February. In addition, for each of the four months ending April 30, 1996, New Valley will pay or cause to be paid to Jefferies an additional nonrefundable monthly cash fee of $100,000, payable in arrears, with the first payment due on the first day of February 1996. Section 5(e) of the Agreement is amended by replacing it in its entirety with the following:

(e) Following (i) the appointment during the Term as Chairman, President or Chief Executive Officer of RJR of either Mr. Bennett S. LeBow or any other designee or representative of Brooke, Liggett, New Valley or any of their respective affiliates (or any "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) in which any of them is a member), or (ii) the election or appointment during the Term of representatives or designees of Brooke, Liggett, New Valley or any of their respective affiliates (or any "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) in which any of them is a member), including each member of the proposed slate of directors of RJR named in the press release issued by Brooke on November 21, 1995, to represent 50% or more of the membership of the RJR Board of Directors then in office, the Companies agree to pay or cause to be paid to Jefferies a nonrefundable cash fee of $7,500,000 payable only if and at the time RJR either reimburses the Companies for or pays directly this fee, provided, that such fee shall not be payable if it is finally judicially determined by a court of competent jurisdiction that the reimbursement of such fees by RJR following the successful solicitation of consents or proxies for the election of the Board of Directors of RJR will violate Delaware law. The Companies undertake to use their best efforts to cause RJR to pay such fee to Jefferies or to reimburse the Companies therefor.

Section 5 is further amended by adding the following after Section 5(f):

(g) The Companies and Jefferies agree that the sole current responsibility of Jefferies hereunder is to provide

advisory services to the Companies in connection with the Investment and the Proxy Solicitation. In the event the Companies determine to pursue any other investment banking activity with respect to the Investment during the Term, the Companies will be required to engage Jefferies to provide services as the Companies' lead financial advisor. Any such engagement shall be pursuant to a separate engagement letter which shall provide for compensation in amounts and on terms to be mutually agreed upon.

9. Termination; Survival of Certain Provisions. Section 9 of the Agreement is amended by replacing it in its entirety with the following:

Jefferies may resign at any time and the Companies may terminate Jefferies' services at any time, each by giving written notice to the other. If Jefferies resigns or the Companies terminate Jefferies' services for any reason, Jefferies shall be entitled to receive all of the amounts due pursuant to Section 5 hereof up to and including the effective date of such termination or resignation, as the case may be. This Section 9, the provisions of Sections 3, 4, 5(b), 5(e), 5(g), 6, 7 and 8 hereof and Schedules A and B attached hereto, shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Financial Advisor or any of its affiliates, (b) the resignation of the Financial Advisor or any termination of the Financial Advisor's services, or (c) the expiration of the Term or any other termination of this Agreement, and shall be binding upon, and shall inure to the benefit of, any successors, assigns, heirs and personal representatives of the Companies, the Financial Advisor and the indemnified parties identified in Schedule A attached hereto.

(a) Jefferies agrees not to take any action in furtherance of any of the matters set forth in this paragraph (e) without the prior consent of the Companies, which consent shall not be granted until after the Companies evaluate the results of the consent solicitation. Jefferies will have the right of first refusal in connection with any future investment banking activities for Alpha and its subsidiaries, including but not limited to financings and refinancings, asset purchases or sales, advisories and consents, for a period of two years from the Termination Date. The compensation and other terms and conditions of any such engagement shall be covered by customary documentation reasonably acceptable to the parties thereto.

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance

shall constitute a binding agreement between the Companies and Jefferies as of the date first above written.

Sincerely,

JEFFERIES & COMPANY, INC.

By: /s/ ANDREW R. WHITTAKER

Name: Andrew R. Whittaker
Title: Managing Director

Accepted and Agreed:

BROOKE GROUP LTD.

By /s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board,
President and Chief
Executive Officer

NEW VALLEY CORPORATION

By /s/ BENNETT S. LEBOW

Bennett S. LeBow
Chairman of the Board and
Chief Executive Officer

LIGGETT GROUP INC.

By /s/ ROUBEN V. CHAKALIAN

Rouben V. Chakalian
Chairman of the Board,
President and Chief
Executive Officer

AGREEMENT
BETWEEN
NEW VALLEY CORPORATION
AND
BROOKE GROUP LTD.

This Agreement, dated as of December 27, 1995, by and between New Valley Corporation, a New York corporation ("New Valley"), and Brooke Group Ltd., a Delaware corporation ("BGL").

WHEREAS, New Valley, directly or indirectly, currently holds 4,892,550 shares of common stock of RJR Nabisco Holdings Corp., a Delaware corporation ("RJRN"); and

WHEREAS, New Valley believes that the value of its investment in RJRN can be substantially increased through a spinoff (the "Spinoff") of all or substantially all of RJRN's remaining investment in Nabisco Holdings Corp., a Delaware corporation ("Nabisco"); and

WHEREAS, BGL directly and indirectly holds 400 shares of common stock of RJRN and has announced its desire to seek written consents to effect the Spinoff and has filed preliminary solicitation material with the Securities and Exchange Commission; and

WHEREAS, New Valley desires to have BGL continue to pursue measures designed to effectuate the Spinoff at the earliest possible date and to have BGL undertake the duties and responsibilities set forth in this Agreement upon the terms and conditions contained herein; and

WHEREAS, BGL is willing to undertake those duties and responsibilities upon such terms and conditions;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, New Valley and BGL agree as follows:

1. Proposals. (a) BGL currently intends to seek RJRN stockholder approval, either at RJRN's 1996 annual meeting of stockholders (the "1996 Annual Meeting") or at a special meeting of RJRN stockholders (a "Special Meeting") or through action by written consent of the RJRN stockholders without a meeting, of any or all of the following proposals: (i) a proposal to recommend that the Board of Directors of RJRN (the "RJRN Board") cause RJRN to effectuate the Spinoff (the "Spinoff Proposal") and (ii) a proposal to amend the by-laws of RJRN in any manner that may be necessary in order to ensure that RJRN stockholders are permitted to call a Special Meeting and to vote freely at such Special Meeting or at the 1996 Annual Meeting on any or all of

the Proposals, or in any other way necessary to facilitate the Proposals (the "By-Law Amendment Proposal"). In connection with the foregoing, BGL may seek written demands or requests from RJRN stockholders ("Stockholder Demands") that a Special Meeting be held for the purpose of voting on any or all of the Proposals. BGL may also seek written consents from RJRN stockholders ("Written Consents") to adopt any or all of the Proposals.

(b) Prior to the 1996 Annual Meeting, BGL shall solicit Written Consents in favor of the Spinoff Proposal and the By-Law Amendment Proposal. BGL may also, in its sole discretion, conduct solicitations, in addition to the solicitation described in the preceding sentence, of Stockholder Demands or Written Consents in favor of the other Proposals, or of proxies to be voted in favor of one or more of the Proposals at the 1996 Annual Meeting, the Special Meeting or any subsequent meeting ("Proxies").

(c) BGL has acted to preserve its right to nominate a slate of directors (the "Nominees") at the 1996 Annual Meeting who will pledge to carry out the Spinoff as promptly as practicable following their election in the event RJRN does not irrevocably commit to effectuate the Spinoff.

(d) BGL may, or may seek to have others, pursue a tender or exchange offer, proposal for a recapitalization, distribution, merger, consolidation, liquidation, sale of assets or other business combination (including any joint venture relationship) or extraordinary transaction involving any of RJRN, Nabisco or any of their affiliates, or a proposal to amend the certificate of incorporation, bylaws or other constituent documents, or acquire in any manner, directly or indirectly, a substantial equity interest in or a substantial portion of the assets of, any of RJRN, Nabisco or any of their affiliates.

(e) The foregoing activities described in Section 1(a-d) shall be herein referred to as the "Proposals". Notwithstanding anything in this Agreement to the contrary, BGL shall have no obligation to pursue or go forward with any Proposal if BGL determines in good faith not to pursue or go forward with such Proposal.

2. Actions. In connection with the Proposals New Valley expects that BGL may take such actions as BGL reasonably believes are necessary to effectuate the Proposals, including, but not limited to the following:

(a) arrange for, and engage, the services of third parties with respect to the Proposals, including, without limitation, legal counsel, investment bankers, accountants,

proxy solicitors and public relations firms, each upon terms and conditions that are reasonable and customary under the circumstances;

(b) consult and work with such third parties in connection with the Proposals;

(c) monitor and supervise the performance of all third parties engaged in connection with the Proposals;

(d) administer the day to day legal, public relations and practical requirements necessary to effectuate the Proposals;

(e) take public positions with respect to the Proposals;

(f) represent the interests of New Valley as a stockholder of RJRN in dealings with third parties in connection with the Proposals;

(g) arrange, schedule and coordinate any discussions, communications, negotiations or arrangements with RJRN and any third parties with respect to the Proposals;

(h) arrange, schedule and coordinate on behalf of New Valley any meetings or informational discussions among stockholders of RJRN;

(i) maintain communications with the Board of Directors and management of RJRN;

(j) maintain communications and relations with the other stockholders of RJRN, including responding to inquiries of such stockholders or the media;

(k) consult and work with legal counsel in effectuating the Proposals consistent with all pertinent Federal, state and local laws and rules and regulations of governmental or quasi-governmental agencies;

(l) maintain familiarity with the business, condition (financial or otherwise), results of operations, assets and properties and prospects of RJRN and its subsidiaries;

(m) provide advice to New Valley with respect to its investment in RJRN;

(n) provide advice to New Valley based on BGL's ownership of, and experience with, Liggett (as defined

herein) with respect to the tobacco industry as a whole, including its prospects (domestically and internationally), the status of products and tobacco litigation and regulatory developments;

(o) locate, arrange for and maintain relationships with the Nominees; and

(p) as reasonably requested by New Valley, make reports to New Valley of the status of the Proposals and furnish advice and recommendations with respect thereto.

3. New Valley Agreements. New Valley shall enter into and become a party to any engagement or retention agreement between BGL and/or its subsidiaries, and any third party engaged in connection with the Proposals, to the extent required by such third party; provided, however, that any such agreement shall be on such terms and conditions, including provisions for indemnification of such third parties, as are reasonable and customary under the circumstances.

4. Costs and Expenses. (a) New Valley will pay directly or will reimburse BGL or any subsidiary of BGL, within 10 days of a written request by BGL or such subsidiary, for all reasonable out-of-pocket costs and expenses of BGL or such subsidiary paid to a third party that is not an affiliate of BGL or such subsidiary (whether incurred prior to or after the date hereof) incurred in connection with pursuing the Proposals, including soliciting Stockholder Demands, Written Consents and Proxies from the stockholders of RJRN, including without limitation, to the extent related thereto, (i) all registration and filing fees under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, or any other applicable laws, rules or regulations, (ii) all printing, messenger, telephone, duplicating and delivery expenses, (iii) all fees and disbursements of counsel, (iv) all fees and expenses of the Nominees, including fees and expenses relating to indemnification obligations to the Nominees, and (v) all fees and disbursements of public relations firms, proxy solicitation firms, inspectors of election, investment bankers, accountants and other advisors. The amount payable by New Valley pursuant to this Section 4(a) for expenses incurred prior to the date hereof shall not exceed $2,000,000.

(b) Notwithstanding the provisions of Section 4(a), BGL shall be solely responsible for (i) its overhead and other internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing duties relating to the transactions contemplated by this Agreement), (ii) any fees and disbursements of counsel to BGL incurred in

connection with, and any damages or settlement amounts paid pursuant to, any litigation against BGL for which indemnification is not available under Section 7 and (iii) all other expenses incurred by it, other than expenses described in Section 4(a).

5. Compensation. (a) New Valley shall, from time to time promptly after receipt thereof (whether prior to or after the Termination Date (as defined herein)), pay to BGLS Inc. ("BGLS"), a wholly-owned subsidiary of BGL, 20% of any New Valley Profits (as defined herein) not theretofore paid to BGLS. The aggregate amount payable to BGLS under this Section 5(a) shall not exceed (i) $15,000,000 if the RJRN Investment (as defined herein) is equal to or less than $150,000,000; (ii) $20,000,000 if the RJRN Investment is greater than $150,000,000 and less than $200,000,000; and (iii) $25,000,000 if the RJRN Investment is equal to or greater than $200,000,000.

(b) For purposes of this Agreement, the following terms shall have the meanings indicated below:

(i) "New Valley Profit" at any time means the amount, if any, by which (A) the aggregate of all cash proceeds received upon the sale of any shares of capital stock of RJRN owned by New Valley or its subsidiaries, provided that such shares were owned on the date hereof or acquired prior to the Termination Date (the "RJRN Shares"), or the sale or payment of or with respect to any non-cash assets distributed, acquired or received, including by way of reclassification or otherwise, in respect of the RJRN Shares, by New Valley its subsidiaries or any of their successors and assigns (net of any reasonable brokerage fees, commissions and other expenses incurred in the disposition thereof) or as a result of any extraordinary cash distributions in respect of the RJRN Shares exceeds (B) the RJRN Costs (as defined herein).

(ii) "RJRN Costs" means the sum of (A) the cost to acquire the RJRN Shares owned, directly or indirectly, by New Valley at the time New Valley Profit is determined, (B) all brokerage fees and commissions incurred in the acquisition of such RJRN Shares, (C) any principal amount ("Margin Loans"), and any interest, fees, premiums and other costs, of any loans or borrowings incurred or maintained to acquire or carry such RJRN Shares (such amount to be determined net of any regular cash dividends received by New Valley in respect of the RJRN Shares), (D) (1) any expenses of New Valley incurred in connection with pursuing the Proposals or otherwise with respect to RJRN; (2) any expenses paid directly by New Valley, or reimbursed to BGL or a subsidiary of BGL, pursuant to Section 4(a); or (3) any

indemnity payments made pursuant to Section 7, (E) any "Net Profit Override" or other fees and percentage payments paid by New Valley to High River Limited Partnership pursuant to that certain Agreement among New Valley, ALKI Corp. and High River Limited Partnership, dated October 17, 1995, as amended, and (F) such amount, that when added to any amounts that are Cash Inflows (as herein defined), as would provide New Valley with an IRR (as herein defined) of 20%.

(iii) "IRR" means the annual interest rate (compounded annually) which, when used to calculate the net present value as of March 3, 1995 of all Cash Inflows and all Cash Outflows (each as defined herein), causes the difference between such net present value amounts to equal zero. "Cash Inflows" as used herein shall include all cash payments received by New Valley or its subsidiaries described in clause (A) of the definition of New Valley Profit and any regular cash dividends thereon (less any amounts necessary to repay Margin Loans). "Cash Outflows" as used herein shall mean the aggregate purchase price of the RJRN Shares (less any amounts consisting of Margin Loans).

(iv) "RJRN Investment" means the sum of all cash payments made by New Valley to acquire the RJRN Shares.

(c) If at any time New Valley shall have paid any amounts to BGLS pursuant to Section 5(a) and thereafter it is determined that such percentage of New Valley Profit was not so payable (whether, because of subsequent losses or otherwise, there is no New Valley Profit or such New Valley Profit is less than as previously determined), BGL shall cause BGLS to repay such amount promptly upon receipt of notice from New Valley.

6. Liggett. In the event of a merger or consolidation of Liggett Group Inc., a Delaware corporation ("Liggett"), with, or the sale of all or substantially all of the assets or capital stock of Liggett to, or the material sale of the capital stock of any parent corporation of Liggett, in each case to RJRN, or any affiliate of RJRN, then BGL shall cause BGLS to pay to New Valley on the closing date of such transaction an amount, if any, in cash equal to the sum of (a) the RJRN Costs and (b) such amount that is necessary so that New Valley would have achieved an IRR of 20% if all of the RJRN Shares were sold at the average of the daily closing sale prices per share for the ten consecutive trading days immediately preceding such closing. Notwithstanding the provisions of this Section 6, BGLS shall be eligible to receive compensation pursuant to Section 5 to the extent provided for therein.

7. Indemnity. New Valley shall indemnify and hold harmless BGL and its affiliates and their respective directors, officers and employees and controlling persons ("Indemnified Persons") from and against any claim, loss, expense, damage or injury ("Loss") suffered or sustained by them, by reason of any acts, omissions or alleged acts or omissions arising out of any transactions contemplated by this Agreement and the performance by BGL of the services contemplated by, this Agreement, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses, as the same are incurred, incurred in connection with the defense of any actual or threatened action, proceeding or claim, except that New Valley shall not be responsible under this Section 7 to an Indemnified Party for any Loss to the extent it is finally determined by a court of competent jurisdiction to have resulted from BGL's or any other Indemnified Party's bad faith, wilful misconduct or gross negligence; provided, however, that New Valley shall not be obligated to make any payments hereunder if and to the extent that the aggregate of all amounts paid by New Valley hereunder exceeds the RJRN Investment. If for any reason the foregoing indemnification is unavailable to the Indemnified Parties or insufficient to hold them harmless, then New Valley shall contribute to the amount paid or payable by the Indemnified Parties as a result of any Loss in such proportion as is appropriate to reflect the relative economic interests of New Valley and its stockholders on the one hand and the Indemnified Parties on the other hand in the matters contemplated by this Agreement and any other relevant equitable considerations.

8. Duration. The term of this Agreement shall begin on the date hereof and shall continue until the second anniversary of the date hereof (the "Termination Date"); provided, however, that the parties hereto may terminate this Agreement upon mutual written consent specifying an earlier Termination Date; provided further, however, that New Valley may terminate this Agreement upon 30 days prior written notice to BGL specifying an earlier Termination Date. Notwithstanding the foregoing, Section 4 (with respect to expenses incurred prior to the Termination Date) and Sections 5(a-b), 7, 13 and 16 shall survive the Termination Date.

9. Entire Agreement; Severability. This Agreement constitutes the entire understanding and agreement between New Valley and BGL. This Agreement supersedes all other prior agreements and understandings, whether written or oral, between New Valley and BGL concerning the subject matter hereof. If any term or provision of this Agreement shall be held to be invalid or unenforceable, it shall not render invalid or unenforceable the remaining terms or provisions of this Agreement or affect the

validity or enforceability of any of the terms or provisions of this Agreement.

10. Notices. Either party shall furnish any direction, notice, report or other communication that this Agreement requires or permits in writing to the following address:

If to New Valley:	100 S.E. Second Street Miami, Florida 33131 Attention: Richard J. Lampen Telecopy: (305) 579-8016
If to BGL:	100 S.E. Second Street Miami, Florida 33131 Attention: Gerald E. Sauter Telecopy: (305) 579-8022

Any party may change its address by written notice to the other.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

12. Amendments; Waiver. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto. No waiver of any term or condition in this Agreement shall be effective unless set forth in writing and signed by or on behalf of the waiving party. No waiver by any party hereto of any term or condition of this Agreement shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

13. Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their successors and permitted assigns and are not intended to confer upon any other person any rights or remedies hereunder other than persons entitled to indemnity under Section 7.

14. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, successors and permitted assigns. This Agreement may not be assigned by either party hereto (whether by

operation of law or otherwise) without the prior written consent of the other party.

15. Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

16. Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the substantive laws of the State of New York as may be applicable to contracts made and to be performed entirely in the State of New York, without regard to choice of law provisions.

IN WITNESS WHEREOF, BGL and New Valley have caused this Agreement to be executed as of the date first above written.

NEW VALLEY CORPORATION

By /s/ RICHARD LAMPEN

Name: Richard Lampen
Title: Executive Vice President

BROOKE GROUP LTD.

By /s/ GERALD E. SAUTER

Name: Gerald E. Sauter
Title: Vice President, Chief Financial Officer and Treasurer

SERVICES AGREEMENT

AGREEMENT made as of February 20, 1996, between BROOKE GROUP LTD., a Delaware corporation (the "Company"), and DALE HANSON ("Nominee").

WHEREAS, the Company has asked and Nominee has agreed to be a nominee for election to the Board of Directors of RJR Nabisco Holdings Corp. ("RJR Nabisco") at the 1996 annual meeting of stockholders of RJR Nabisco (the "Annual Meeting"); and

WHEREAS, the Company desires to retain the services of Nominee in connection with providing advice and consultation to the Company as described below.

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

ARTICLE I

SERVICES

1.01. Services. Nominee agrees (a) to be a Nominee for election to the Board of Directors of RJR Nabisco at the Annual Meeting and (b) to advise and consult with the Company and its affiliates on various matters, including but not limited to (i) matters generally relating to issues of corporate governance and shareholder democracy in publicly traded corporations, (ii) matters relating to or arising out of the solicitation (the "Spinoff Solicitation") by the Company of consents from the stockholders of RJR Nabisco for the adoption of a non-binding resolution requesting and recommending that the Board of Directors of RJR Nabisco immediately spin off the remaining 80.5% of Nabisco Holdings Corp. held by RJR Nabisco to the stockholders of RJR Nabisco, (iii) matters relating to or arising out of any solicitation (the "Director Solicitation"; and together with the Spinoff Solicitation, the "Solicitations") which the Company may make of proxies from the stockholders of RJR Nabisco in support of Nominee's election as a director of RJR Nabisco at the Annual Meeting and (iv) such other matters as the Company and Nominee shall agree on from time to time (collectively, the "Services"). Nothing contained in this Agreement shall prevent Nominee from engaging in any business, charitable or personal activities that do not interfere with his ability to perform the Services.

1.02. Responsibility of Nominee. The responsibility of Nominee under this Agreement is to use Nominee's reasonable best efforts to provide Services hereunder competently and in

accordance with acceptable business standards; provided that Nominee shall have no liability to the Company arising out of the performance of the Nominee's duties hereunder except to the extent that Nominee's acts constitute willful misconduct or gross negligence.

1.03. Term. This Agreement shall become effective on the date hereof and shall terminate on May 31, 1997, unless earlier terminated by the mutual written consent of the parties hereto (the "Term"). The provisions of Section 1.04 and Article II shall survive the termination of this Agreement.

1.04 Confidential Information. During the Term and thereafter, Nominee shall not disclose to any person (except with the authority of the Company or unless ordered to do so by a court of competent jurisdiction or government agency) any information relating to the Solicitations or the business, investments, finances or other matters of a confidential nature of the Company of which Nominee may in the course of Nominee's duties hereunder or otherwise become possessed, and Nominee shall use his reasonable best efforts to prevent any such disclosure as aforesaid. The foregoing shall not apply to matters or information which has become publicly available other than as result of Nominee's breach of this Section 1.04.

ARTICLE II

REMUNERATION OF NOMINEE

2.01 Compensation. (a) The Company shall pay Nominee a one time cash payment of $150,000, payable on the date hereof.

(b) The Company hereby grants to Nominee a stock appreciation right (the "SAR") with respect to 50,000 shares ("SAR Shares") of common stock, par value $.01 per share, of RJR Nabisco ("Common Stock"). Nominee may exercise such right in whole or in part at any time and from time to time from and after June 30, 1996. The SAR shall expire at the close of business on the tenth business day after the end of the Term. Upon exercise, the Company shall pay to Nominee an amount, if any, equal to the excess of the Fair Market Value of a share of Common Stock on the date of exercise over $31.50 per share, multiplied by the number of shares of Common Stock with respect to which the SAR shall have been exercised. For purposes of this Agreement, "Fair Market Value", as of any date shall mean the average of the daily closing prices of the Common Stock for the ten consecutive trading days on or prior to such date, as reported on the

consolidated transaction reporting system for the New York Stock Exchange for such dates. In the event of any change in capitalization affecting the Common Stock, including, without limitation, a stock dividend or other distribution, split, reverse certificate split, recapitalization, merger, consolidation, subdivision, split-up, spin-off, combination or

exchange of Common Stock or other form of reorganization, or any other change affecting the Common Stock, the Company shall automatically make such mathematically proportionate adjustments in the number of SAR Shares covered by the SAR and the exercise price in respect thereof, as are reasonably appropriate under the circumstances.

2.02. Expenses. The Company shall reimburse Nominee for all ordinary, necessary and reasonable business expenses incurred by Nominee in connection with the Services. Nominee shall furnish the Company with reasonably detailed documentation for any such reimbursable expenses.

2.03. Indemnification. In the event Nominee is or becomes a party to or other participant in, or is threatened to be made a party to or other participant in, a threatened, pending or completed action, suit or proceeding by reason of (or arising in part out of) the performance of the Services, the Company to the fullest extent permitted by applicable law shall indemnify and hold harmless Nominee from and against any and all damages, judgments, fines, penalties, amounts paid in settlement, deficiencies, losses and expenses, including reasonable attorneys' fees ("Losses") suffered, incurred or sustained by Nominee or to which Nominee becomes subject, resulting from, arising out of or relating to such action, suit or proceeding. Notwithstanding anything to the contrary contained herein, the Company shall not be required to indemnify Nominee in respect of Losses arising from Nominee's willful misconduct or gross negligence.

ARTICLE III

GENERAL PROVISIONS

3.01. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without reference to the principles of conflicts of laws.

3.02. Assignment. This Agreement shall bind and inure to the benefit of the successors and assigns of the parties hereto. Neither of the parties hereto may assign this Agreement or any rights hereunder without the written consent of the other party hereto.

3.03. Waiver or Amendment. No waiver, change or amendment of any provision of this Agreement shall be valid or of force or effect unless made in writing and signed by the party against which the enforcement of such change or waiver is sought. The signing of such waiver or change in any instance shall in no event be construed to be a general waiver, abandonment or change of any of the provisions hereof, but shall be strictly limited to

the specific instance and for the specific purpose stated therein.

3.04. No Agency, Etc. This Agreement is not intended to create an employment relationship between the Company and Nominee. For all purposes, Nominee shall be deemed an independent contractor and not the Company's agent or employee, and Nominee shall have no authority to act for, represent, bind or obligate the Company, and nothing contained herein shall be deemed to create a partnership or a joint venture between the Company and Nominee. Neither party shall be liable for any act of or failure to act by the other party except as herein specifically provided.

3.05. No Breach, Etc. Nominee hereby represents and warrants that neither the execution and delivery nor the performance by Nominee of this Agreement will violate, or be in conflict with, or constitute a default under, any agreement or contract to which Nominee is a party.

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

BROOKE GROUP LTD.

By: /s/ BENNETT S. LEBOW

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

/s/ DALE M. HANSON

Dale M. Hanson

ISDA

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of February 28, 1996

Internationale Nederlandea (U.S.) Capital Markets, Inc. and New Valley Corporation have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:

1. INTERPRETATION

(a) Definitions. The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. OBLIGATIONS

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency.

Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) Change of Account. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) Netting. If on any date amounts would otherwise be payable:

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may

be made separately for different groups of Transactions and will apply separately to each pairing of Offices

through which the parties make and receive payments or deliveries.

(d) Deduction or Withholding for Tax.

(i) Gross-Up. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on

or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) Liability. If:

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) Default Interest; Other Amounts. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. REPRESENTATIONS

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:

(a) Basic Representations.

(i) Status. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) Powers. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) No Violation or Conflict. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) Obligations Binding. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) Absence of Certain Events. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) Absence of Litigation. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) Accuracy of Specified Information. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) Payer Tax Representations. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) Payee Tax Representations. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. AGREEMENTS

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:

(a) Furnish Specified Information. It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or

its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) Maintain Authorisations. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) Comply with Laws. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) Tax Agreement. It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) Payment of Stamp Tax. Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. EVENTS OF DEFAULT AND TERMINATION EVENTS

(a) Events of Default. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:

(i) Failure to Pay or Deliver. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) Breach of Agreement. Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) Credit Support Default.

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) Misrepresentation. A representation (other than a representation under Section 3(e) or (f)) made or repeated

or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) Bankruptcy. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes

insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) Merger Without Assumption. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its

predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) Termination Events. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:

(i) Illegality. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) Tax Event. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in

respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) Tax Event Upon Merger. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) Credit Event Upon Merger. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) Additional Termination Event. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) Event of Default and Illegality. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. EARLY TERMINATION

(a) Right to Terminate Following Event of Default. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) Right to Terminate Following Termination Event.

(i) Notice. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) Transfer to Avoid Termination Event. If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) Two Affected Parties. If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) Right to Terminate. If:

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) Effect of Designation.

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated

Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) Calculations.

(i) Statement. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) Payment Date. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) Payments on Early Termination. If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Setoff.

(i) Events of Default. If the Early Termination Date results from an Event of Default:

(1) First Method and Market Quotation. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) Termination Events. If the Early Termination Date results from a Termination Event:

(1) One Affected Party. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to

be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) Adjustment for Bankruptcy. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) Pre-Estimate. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as

otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. TRANSFER

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. CONTRACTUAL CURRENCY

(a) Payment in the Contractual Currency. Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) Judgments. To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) Separate Indemnities. To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) Evidence of Loss. For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. MISCELLANEOUS

(a) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) Amendments. No amendment, modification or waiver in respect of this Agreement will be effective unless in writing

(including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) Survival of Obligations. Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) Remedies Cumulative. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) Counterparts and Confirmations.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) No Waiver of Rights. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) Headings. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. OFFICES; MULTIBRANCH PARTIES

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. EXPENSES

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. NOTICES

(a) Effectiveness. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) Change of Addresses. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. GOVERNING LAW AND JURISDICTION

(a) Governing Law. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) Jurisdiction. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the

right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) Service of Process. Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) Waiver of Immunities. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. DEFINITIONS

As used in this Agreement:

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of

such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and "lawful" and "unlawful" will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice

contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or (6)(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early

Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Marketmaker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Nondefaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Office" means a branch or office of a party, which may be such party's head or home office.

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated,

organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor

transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The

foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Internationale Nederlanden (U.S.) Capital Markets, Inc.	New Valley Corporation
(Name of Party)	(Name of Party)
By:/s/ JOHN H. CLEMENT	By: /s/ RICHARD LAMPEN
Name: John H. Clement	Name: Richard Lampen
Title: Vice President	Title: Executive Vice President
Date: March 4, 1996	Date:

[EXECUTION COPY]

SCHEDULE

TO THE

MASTER AGREEMENT

DATED AS OF FEBRUARY 28, 1996

BETWEEN

INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL MARKETS, INC.
a corporation organized under the
laws of Delaware ("Party A")

and

NEW VALLEY CORPORATION,
a corporation organized under the laws
of New York ("Party B")

Part 1. TERMINATION PROVISIONS.

(a) "SPECIFIED ENTITY" means in relation to Party A for the purpose of:

Section 5(a)(v), Not Applicable

Section 5(a)(vi), Not Applicable

Section 5(a)(vii), Not Applicable

Section 5(b)(iv), Not Applicable

and in relation to Party B for the purpose of:

Section 5(a)(v), Affiliates of Party B

Section 5(a)(vi), Not Applicable

Section 5(a)(vii), Not Applicable

Section 5(b)(iv), Not Applicable

(b) "SPECIFIED TRANSACTION" will have the meaning specified in Section 14.

(c) The "CROSS DEFAULT" provisions of Section 5(a)(vi) will apply to Party A and any Credit Support Provider of Party A and to Party B.

To the extent such provisions apply:

"SPECIFIED INDEBTEDNESS" will have the meaning specified in Section 14 except that such meaning will exclude obligations in respect of deposits received.

"THRESHOLD AMOUNT" means: (a) with respect to Party A and Party A's Credit Support Provider, 2% of ING Bank's shareholders' equity, as indicated on its most recent annual audited financial statements, or the equivalent thereof in any currency; and (b) with respect to Party B, USD 500,000 or its equivalent in any currency.

(d) Subsection (iv) of Section 5(b) is hereby deleted in its entirety and replaced by the following:

(iv) CREDIT EVENT UPON MERGER, which will apply to Party A and to Party B and will mean that any such party ("X"), any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, or X, X or any applicable Specified Entity of X otherwise reorganizes or effects a recapitalization, or another entity consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, X, or any applicable Specified Entity of X and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X, or any applicable Specified Entity of X or the resulting, surviving, or transferee entity, as the case may be, is materially weaker than that of X, such Specified Entity, as the case may be, immediately prior to such action (and in such event X or such resulting, surviving or transferee entity will be the Affected Party).

(e) The "AUTOMATIC EARLY TERMINATION" provision of Section 6(a) will apply to Party A and Party B.

(f) PAYMENTS ON EARLY TERMINATION. For the purposes of Section 6(e) of this Agreement:

(a) Market Quotation will apply.
(b) The Second Method will apply.

(g) "TERMINATION CURRENCY" means United States Dollars.

(h) Subsection (vii) of Section 5(a) is hereby amended by adding in clauses (1) and (5) thereof after the word "amalgamation" the words ", transfer, reorganization, incorporation, reincorporation, reconstitution,".

(i) The introductory paragraph of Subsection (viii) of Section 5(a) is hereby deleted in its entirety and replaced by the following:

The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganization, incorporation, reincorporation, or reconstitution: -

PART 2. TAX REPRESENTATIONS.

(a) PAYER REPRESENTATIONS. For the purpose of Section 3(e), Party A and Party B make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii), or 6(e)) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f), (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii), and (iii) the satisfaction of the agreement of the other party contained in Section 4(d), provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) PAYEE REPRESENTATIONS. For the purpose of Section 3(f), Party A and Party B make the following representations:

(i) The following representation applies to Party A:

Party A is a corporation organized under the law of the State of Delaware.

(ii) The following representation applies to party B:

Party B is a corporation organized under the law of the State of New York.

PART 3. AGREEMENT TO DELIVER DOCUMENTS

Documents to be delivered are:

PARTY REQUIRED TO DELIVER DOCUMENT	FORM/DOCUMENT/ CERTIFICATE	DATE BY WHICH TO BE DELIVERED	COVERED BY SECTION 3(D) REPRESENTATION
Party A	Guarantee	Within 10 Local Business Days after the date hereof	No
Party B	Audited annual financial statements of Party B	Promptly following demand by Party A	Yes
Party B	Secretary's Certificate certifying the authority and signatures of persons signing the Agreement, the Credit Support Document and related documentation	Upon execution of this Agreement	Yes

Part 4. MISCELLANEOUS.

(a) ADDRESSES FOR NOTICES. For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Address: 135 East 57th Street
New York, New York 10022-2101
Attention: Global Documentation Unit
Telephone No.: (212) 446-1500
Facsimile No.: (212) 371-9295

Address for notices or communications to Party B:

Address: 100 S.E. Second Street
Miami, Florida 33131
Attention: Richard Lampen
Telephone No.: (305) 579-8000
Facsimile No.: (305) 579-8009

(b) PROCESS AGENT. For the purpose of Section 13(c) of this Agreement, neither Party A nor Party B appoints a Process Agent.

(c) OFFICES. The provisions of Section 10(a) will apply to this Agreement.

(d) MULTIBRANCH PARTY. For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(e) CALCULATION AGENT. The Calculation Agent is Party A unless otherwise specified in a Confirmation in relation to the Relevant Transaction. All calculations, adjustments and determinations by the Calculation Agent shall be final, conclusive and binding on all parties, in the absence of manifest error.

(f) CREDIT SUPPORT DOCUMENTS. With respect to Party A, the Guarantee, dated February 29, 1996 (the "Guarantee"), of ING Bank N.V. (and its successors and permitted assigns, "ING Bank"), in favor of Party A. With respect to Party B, the Security Agreement, substantially in the form attached hereto as Annex A, as amended from time to time (the "Security Agreement").

(g) CREDIT SUPPORT PROVIDER. With respect to Party A, ING Bank.

(h) GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE.

(i) NETTING OF PAYMENTS. Subparagraph (ii) of Section 2(c) of this Agreement will not apply to the following Transactions or groups of Transactions (in each case starting from the date of this Agreement): None.

(j) JURISDICTION. Section 13(b) is hereby deleted in its entirety and replaced by the following:

(b) Jurisdiction. With respect to any claim, suit, action, or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:

(i) submits to the exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City; and

(ii) waives all right to trial by jury, waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum, and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party.

(k) "AFFILIATE" will have the meaning specified in Section 14.

Part 5. OTHER PROVISIONS.

(a) DEFINITIONS. This Agreement, each Confirmation and each Transaction are subject to the 1991 ISDA Definitions (the "Definitions") as published by the International Swap Dealers Association, Inc. ("ISDA"), and will be governed in all respects by the provisions set forth in the Definitions. The provisions of the Definitions are incorporated by reference in, and made part of, this Agreement and each Confirmation as if set forth in full in this Agreement and each Confirmation. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail. In the event of any inconsistency between the provisions of any Confirmation and the Agreement or the Definitions, such Confirmation will prevail for the purpose of the relevant Transaction.

(b) PROCEDURES FOR ENTERING INTO TRANSACTIONS.

(1) With respect to each Transaction entered into pursuant to this Agreement, Party A will, on or promptly after the Trade Date thereof, send Party B a Confirmation substantially in the form of Confirmation utilized by Party A or in such other form as mutually agreed upon by the parties. Party B will promptly thereafter confirm in writing the accuracy of or request the correction of such Confirmation (in the latter case, indicating how it believes the terms of such Confirmation should be correctly stated and such other terms which should be added to or deleted from such Confirmation to make it correct).

(2) Each party hereto consents to the monitoring or recording, at any time and from time to time, by the other party of any and all communications between officers or employees of the parties, waives any further notice of such monitoring or recording, and agrees to notify (and, if required by law, obtain the consent of) its officers and employees with respect to such monitoring or recording.

(c) [INTENTIONALLY DELETED.]

(d) ADDITIONAL REPRESENTATIONS. Section 3 is hereby amended by adding the following Subsections (g), (h) and (I) at the end of such Section:

(g) ELIGIBLE SWAP PARTICIPANT. Each party is and was at the time of entering into this Agreement and the first Transaction hereunder, an eligible swap participant as defined in Part 35 of the regulations of the Commodity Futures Trading Commission.

(h) LINE OF BUSINESS. It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.

(i) NON RELIANCE. In connection with the negotiation of, the entering into, and the confirming of the execution of, this Agreement, any Credit Support Document, each Transaction and any other documentation relating to this Agreement to which it is a party or that it is required by this Agreement to deliver: (i) each party is relying upon its own independent judgment; (ii) the other party hereto or thereto is not acting as a fiduciary or financial or investment advisor for it; (iii) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the other party hereto or thereto other than the representations expressly set forth in this Agreement, in such Credit Support Document and in any Confirmation; (iv) the other party hereto or thereto has not given to it (directly or indirectly through any other person) any assurance, guaranty, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (either legal, regulatory, tax, financial, accounting, or otherwise) of this Agreement, such Credit Support Document, such Transaction or other documentation; (v) it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction pursuant to this Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party hereto or thereto; (vi) it has determined that the rates, prices or amounts and other terms of each Transaction and the indicative quotations (if any) provided by the other party hereto or thereto reflect those in the relevant market for similar transactions, and all trading decisions have been the result of arm's length negotiations between the parties; (vii) it is entering into this Agreement, such Credit Support Document, each Transaction and any other documentation relating to this Agreement with a full understanding of all of the terms, conditions and risks hereof and thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (viii) it is a sophisticated investor.

(e) Section 6 is amended by the addition of the following Section 6(f):

"(F) SET-OFF. Any amount (the 'Early Termination Amount') payable to one party (the Payee) by the other party (the Payer) under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5 (b) (iv) has occurred, will, at the option of the party ('X') other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the 'Other Agreement Amount') payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount shall be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(f) ESCROW PAYMENTS. If by reason of the time difference between the cities in which the payments are to be made, it is not possible for simultaneous payments to be made on any date on which both parties are required to make payments hereunder , either party may at its option and in its sole discretion notify the other party that payments on that date are in escrow. In this case deposit of the payments due earlier on that date shall be made by 2.00 p.m. (local time at the place for the earlier payment) on that date with an escrow agent selected by the party giving the notice, accompanied by irrevocable payment instructions (i) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date accompanied by irrevocable payment instructions to the same effect or (ii) if the required deposit of the corresponding payment is not made on the same date, to return the payment deposited to the party that paid it into escrow. The party that elects to have payments made in escrow shall pay the costs of the escrow arrangements and shall cause those arrangements to provide that the intended recipient of the payment due to be deposited first shall be entitled to interest on that deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposits in the relevant currency in the office where it holds that deposited payment (at 11:00 a.m. local time on that day) if that payment is not released by 5:00 p.m. local time on the date it is deposited for any reason other than the intended recipient's failure to make the escrow deposit it is intended to make hereunder in timely fashion.

(g) ADDITIONAL REPRESENTATIONS, COVENANTS AND EVENTS OF DEFAULT

(i) Party B represents to Party A (on the date hereof, on each date on which a Transaction is entered into and at all times until the termination of this Agreement) that Party B is not and has never been an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act").

(ii) Party B shall take all actions as are necessary to avoid being an "investment company" within the meaning of the Investment Company Act.

(iii) The following shall constitute an additional Event of Default with respect to Party B: Party B shall be an "investment company" within the meaning of the Investment Company Act.

Part 6. EQUITY SWAP ADJUSTMENT EVENTS.

The provisions of this Part 6 shall apply to a particular Transaction (the "Relevant Transaction"), if indicated in the applicable Confirmation for such Transaction.

(a) Potential Adjustment Events. Following the declaration by the Issuer (as defined in the applicable Confirmation) of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event would have a diluting or concentrative effect on the theoretical value of the Shares (as defined in the applicable Confirmation) and, if so, will (i) calculate the corresponding adjustment, if any, to be made to any one or more of the Number of

Shares (as defined in the applicable Confirmation), the Notional Amount (as defined in the applicable Confirmation), the applicable Floating Amount (as defined in the applicable Confirmation), any component thereof and any other variable or factor relevant to the settlement terms of the Relevant Transaction or the calculation of the applicable Floating Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect and (ii) determine the effective date of that adjustment.

"Potential Adjustment Event" means any of the following:

(i) a subdivision, consolidation or reclassification of Shares (unless a Merger Event), or a free distribution or dividend of any shares to existing holders by way of bonus, capitalization or similar issue;

(ii) a distribution or dividend to existing holders of the Shares of (A) Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Issuer equally or proportionately with such payments to holders of Shares or (C) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;

(iii) an extraordinary dividend;

(iv) a call in respect of Shares that are not fully paid;

(v) a repurchase by it of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(vi) any other similar event that in the determination of the Calculation Agent may have a diluting or concentrative effect on the theoretical value of the Shares.

(b) Merger Events.

"Merger Date" means the date, in respect of a Merger Event, upon which all holders of Shares (other than, in the case of a takeover offer, Shares owned or controlled by the offeror) have agreed or have irrevocably become obliged to transfer their Shares.

"Merger Event" means any (i) reclassification or change of the Shares that results in a transfer of or an irrevocable commitment to transfer all outstanding Shares, (ii) consolidation, amalgamation or merger of the Issuer with or into another entity (other than a consolidation, amalgamation or merger in which the Issuer is the continuing entity and which does not result in any such reclassification or change of all outstanding Shares) or (iii) other takeover offer for the Shares that results in a transfer of or an irrevocable commitment to transfer all the Shares (other than the Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the last valuation date with respect to such Relevant Transaction.

In respect of each Merger Event occurring during the Term of the Relevant Transaction:

(i) if the consideration for the Shares in the Merger Event consists (or, at the option of the holder of the Shares, may consist) solely of shares (whether of the offeror or a third party) ("New Shares"), then on or after the Merger Date; the "Number of Shares" (as defined in the applicable Confirmation) shall be the number of such New Shares to which a holder of the number of Shares equal to the "Number of Shares" would be entitled upon consummation of the Merger Event (and such number of New Shares will be deemed the "Number of Shares" and the New Shares and their issuer will be deemed the "Shares" and the "Issuer", respectively) and, if necessary, the Calculation Agent will adjust the calculation or

determination of the applicable Floating Amount, any component thereof and any other affected or relevant amounts under the Relevant Transaction accordingly and will determine the effective date of any such adjustment;

(ii) if the consideration for the Shares in the Merger Event consists solely of cash and/or any securities (other than New Shares) or assets (whether of the offeror or a third party) other than shares ("Other Consideration"), then on or after the Merger Date, the Calculation Agent will determine the amount of Other Consideration (as subsequently modified in accordance with any relevant terms and including the proceeds of any redemption, if applicable) to which a holder of the number of Shares equal to the "Number of Shares" would be entitled upon consummation of the Merger Event and the Calculation Agent will adjust the calculation or determination of the applicable Floating Amount, any component thereof and any other affected or relevant amounts under the Relevant Transaction and will determine the effective date of any such adjustment; and

(iii) if the consideration for the Shares in the Merger Event consists of New Shares in combination with Other Consideration, then on or after the Merger Date, the Calculation Agent will determine the number of New Shares and the amount of Other Consideration (together, the "Merger Consideration", as subsequently modified in accordance with any relevant terms and including the proceeds of any redemption, if applicable) to which a holder of the number of Shares equal to the "Number of Shares" would be entitled upon consummation of the Merger Event (and such number of New Shares will be deemed the "Number of Shares" and such New Shares and their issuer will be deemed the "Shares" and the "Issuer", respectively) and, the Calculation Agent will adjust the calculation or determination of the applicable Floating Amount, any component thereof and any other affected or relevant amounts under the Relevant Transaction and will determine the effective date of any such adjustment.

(c) Nationalization or Insolvency. If (i) all the Shares or all the assets or substantially all the assets of the Issuer are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or (ii) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Issuer (A) all the Shares are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares become legally prohibited from transferring them, then, in the case of clause (i) or (ii), each party will, upon becoming aware of such event, notify the other party of such event and the Calculation Agent will adjust the calculation or determination of the applicable Floating Amount, any component thereof and any other affected or relevant amounts under the Relevant Transaction and will determine the effective date of any such adjustment and may select an early termination date for the Transaction and the amounts due and payable in respect thereof.

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IN WITNESS WHEREOF, the parties have executed and delivered this document as of the date specified on the first page of this document.

INTERNATIONALENEDERLANDEN (U.S.)
CAPITAL MARKETS, INC.

By /s/ JOHN H. CLEMENT

Name: John H. Clement
Title: Vice President

NEW VALLEY CORPORATION

By /s/ RICHARD LAMEPEN

Name: Richard Lampen
Title: Executive Vice President

ANNEX A

SECURITY AGREEMENT

Security Agreement (the "Agreement") dated as of February 28, 1996 between NEW VALLEY CORPORATION, a corporation organized and existing under the laws of the State of New York (the "Pledgor"), and INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL MARKETS, INC. (the "Secured Party").

WITNESSETH:

WHEREAS, the Pledgor and Secured Party have entered into a ISDA Master Agreement dated as of the date hereof (the "Master Agreement");

WHEREAS, this Agreement supplements, forms part of, and is subject to, the Master Agreement, is part of its Schedule and is a Credit Support Document under the Master Agreement with respect to Party B (the "Pledgor");

WHEREAS, Secured Party may require that the obligations of the Pledgor under one or more Transactions ("Transactions") entered into pursuant to the Master Agreement be secured pursuant to the terms hereof; and

WHEREAS, in consideration of the agreements contained in the Master Agreement and the Transactions, the Pledgor is willing to secure the performance of its obligations thereunder pursuant to the terms of this Agreement;

NOW, THEREFORE, the Pledgor and Secured Party agree as follows:

1. DEFINITIONS.

(a) Unless otherwise defined in this Agreement, capitalized terms used but not defined herein shall have the meanings specified in the Master Agreement, the Confirmation confirming the relevant Transaction, or the 1991 ISDA Definitions (the "Definitions), as published by the International Swaps and Derivatives Association, Inc., as the case may be.

(b) The following terms have the meanings indicated when used herein or in a Confirmation relating to a Transaction, unless defined otherwise in such Confirmation:

"Business Day" means a day on which the Secured Party and commercial banks and foreign exchange markets are open for business in the Borough of Manhattan in the City, County, and State of New York;

"Cash Collateral" means (i) the amount of cash, if any, from time to time Paid to the Secured Party pursuant to Sections 2(b), 3, or 7(b) of this Agreement, plus (ii) the amount of any cash Proceeds of any Collateral;

"Clearing Organization" means a Federal Reserve Bank or, if agreed to by the Secured Party, such other clearing agency at which the parties hereto or their respective agents maintain accounts;

"Collateral" refers individually and collectively to all Cash Collateral and Non-Cash Collateral together with all Proceeds of, substitutions for, and additions to, the foregoing. For purposes of this Agreement, the value of all Collateral shall be determined pursuant to the definition of "Value" herein;

"Deliver", "Delivery", or "Delivered" to a person means delivery of Collateral to such person (the "Receiving Party"), (i) with respect to any Collateral the ownership of which is recorded in book-entry form by a Clearing Organization, by (A) delivery to the Receiving Party (or, if the Receiving Party is an agent for safekeeping designated by the Pledgor or the Secured Party, to the Secured Party) of a listing of such Collateral by title (and, if applicable, series and pool number), original unpaid principal amount, and maturity date, (B) book-entry transfer of such Collateral to an account with a Clearing Organization in the name of a member bank designated by or on behalf of the Receiving Party or in the name of another financial institution designated by or on behalf of the Receiving Party that maintains an account with such Clearing Organization, and (C) delivery to the Receiving Party of a written notification from such member bank or other financial institution that it holds such Collateral for the account of the Receiving Party, or (ii) with respect to any other Collateral other than Cash Collateral, by (A) delivery to the Receiving Party of such Collateral in suitable form for delivery and transfer, accompanied by duly executed instruments of transfer or assignment in blank or other documentation as the Receiving Party (or, if the Receiving Party is an agent for safekeeping designated by the Pledgor or the Secured Party, as the Secured Party) may reasonably request, or (B) delivery through another clearing mechanism acceptable to the Secured Party, in each case free and clear of all liens, mortgages, pledges, charges, security interests, or other encumbrances, except the Security Interest; any Delivery required to be made on a day on which the Federal Reserve Bank, member bank, or other financial institution or clearing mechanism through which such Delivery is to be effected is not open for business shall instead be required to be made on the first following day that such institution or mechanism is open for business; and any Delivery required to be made to the Pledgor or the Secured Party shall, if the Pledgor or the Secured Party so designates, be made instead to the agent for safekeeping designated by the Pledgor or the Secured Party;

"Government Obligations" means securities of a type satisfactory to the Secured Party which are direct obligations of the United States of America;

"Initial Amount" on any day means, with respect to the Pledgor and any Transaction, such amount if any required to be provided by the Pledgor to the Secured Party on such day in connection with such Transaction, as specified in the Confirmation confirming such Transaction. The Initial Amount with respect to any Transaction shall be calculated by the Secured Party;

"Non-Cash Collateral" means Government Obligations. In lieu of returning to the Pledgor pursuant hereto particular "securities" (as defined in the Uniform Commercial Code in force in the State of New York (the "UCC")) constituting Collateral, the Secured Party may return "securities" that are "fungible" (as defined in the UCC) therewith. All Government Obligations are or shall be Collateral of a type customarily sold on a recognized market within the meaning of UCC Section 9-504(3), and an over-the-counter market shall constitute such a recognized market;

"Pay," "Payment," or "Paid" to the Pledgor or the Secured Party means payment in same day funds in the same manner provided for payments to be made to it under the Master Agreement;

"Potential Event of Default" means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default;

"Principal Market Maker" means a dealer in Government Obligations or other securities Collateral of recognized national standing;

"Proceeds" has the meaning specified in Section 7(c) of this Agreement;

"Security Interest" has the meaning specified in Section 4 of this Agreement;

"Transaction Collateral Requirement" on any day means with respect to the Pledgor and any Transaction, the amount of Collateral required to be provided by the Pledgor to the Secured Party on such day in connection with such Transaction, as determined in accordance with the terms set forth in the Confirmation confirming such Transaction.

"Value" on any date means:

(i) with respect to any Government Obligations, the sum of (A) (1) the last sale price on such date of such Government Obligations on the principal national securities exchange on which such Government Obligations are listed, or (2) where any Government Obligations are not listed on a national securities exchange, the mean of the high bid and low asked prices quoted on such date by any Principal Market Maker for such Government Obligations selected by the Secured Party, or (3) if there is no sale or if no quotations are available from a Principal Market Maker (in the case of unlisted Government Obligations) for such date, the last such sale price or the mean of such high bid and low asked prices, as the case may be, as of the day immediately preceding such date on which such a sale took place or such quotations were available, plus (B) the accrued interest on such Government Obligations (except to the extent Paid to the Pledgor pursuant to Section 7(c) or included in the applicable price referred to in clause (A) above) as of such date. The term "Value" as used herein refers to the Value of individual Government Obligations or the aggregate Value of Government Obligations, as the case may be, in the context in which such term is used;

(ii) with respect to any Cash Collateral, the amount of such cash.

"Variation Amount" on any day means, with respect to any Transaction, such amount if any required to be provided by the Pledgor to the Secured Party on such day in connection with such Transaction, as specified in the Confirmation confirming such Transaction. The Variation Amount and the mark-to-market exposure relating to the Variation Amount with respect to any Transaction shall be determined by the Secured Party at any time during such day.

2. COLLATERAL REQUIREMENTS; RETURN OF COLLATERAL.

(a) Unless provided otherwise in the Confirmation confirming a Transaction, by written notice to the Pledgor, the Secured Party may at any time and from time to time when a Transaction Collateral Requirement exceeds the Value of Collateral then issued in favor of and/or held by or for the Secured Party and any agent for safekeeping of the Secured Party with respect to such Transaction, require the Pledgor to comply with the provisions of Section 2(b) of this Agreement. Such notice may be in writing (including facsimile transmission) or given orally and shall specify the Transaction Collateral Requirement, shall provide details of the manner in which the Transaction Collateral Requirement was determined, and shall (unless previously notified to the Pledgor) specify any account or other information necessary for the issuance of, Delivery, or Payment of Collateral.

(b) With respect to each Transaction, unless provided otherwise in the Confirmation confirming such Transaction, the Pledgor shall, by 3:00 p.m., New York City time, on the first Business Day immediately following the date a notice shall be given pursuant to Section 2(a) of this Agreement, Pay or Deliver other Collateral to the Secured Party having an aggregate Value of not less than an amount equal to (i) the Transaction Collateral Requirement on the date of and as specified in such notice, minus (ii) the aggregate Value of Collateral then issued in favor of and/or held by or for the Secured Party or any agent for safekeeping designated by the Secured Party.

(c) For purposes of Section 2(b) of this Agreement, the Value of any Collateral shall be determined as of the Business Day immediately preceding the relevant date for issuance or Payment and/or Delivery.

(d) If provided for in the Confirmation confirming a Transaction, by written notice to the Secured Party on any Business Day, between 9:00 a.m. and 3:00 p.m., New York City time, when a Transaction Collateral Requirement is less than the Value of Collateral then issued in favor of and/or held by or for the Secured Party and any agent for safekeeping of the Secured Party with respect to such Transaction, the Pledgor may require the Secured Party to release Collateral to the Pledgor in accordance with the provisions of this Section 2(d). Such notice shall be in writing (including facsimile transmission) and shall specify the Transaction Collateral Requirement, and shall (unless previously notified to the Secured Party) specify any account or other information necessary for the release of Collateral to the Pledgor. The Secured Party shall, by 3:00 p.m., New York City time, on the first Business Day immediately following the date a notice shall be given in accordance with this Section 2(d), release collateral to the Pledgor having an aggregate Value not exceeding an amount equal to the excess of (i) the aggregate Value of Collateral then issued in favor of and/or held by or for the Secured Party or any agent for safekeeping designated by the Secured Party over (ii) the Transaction Collateral Requirement on the date of and as specified in such notice. Notwithstanding the foregoing, in no event shall the Secured Party be required to release to the Pledgor Collateral if any Event of Default or Potential Event of Default with respect to the Pledgor shall exist or would occur.

3. INITIAL AMOUNT OF COLLATERAL.

If a Confirmation in respect of a Transaction specifies an Initial Amount, the Pledgor shall Pay or Deliver to the Secured Party on the date so specified in the Confirmation, Collateral with a Value on such date of such Payment or Delivery equal to such Initial Amount.

4. GRANT OF SECURITY INTEREST.

The Pledgor hereby grants to the Secured Party a continuing security interest (the "Security Interest") in all Collateral from time to time Paid or Delivered to the Secured Party and/or to any agent for safekeeping of the Secured Party to secure all obligations of the Pledgor to the Secured Party from time to time under the Master Agreement and each Transaction, including without limitation the obligations of the Pledgor from time to time with respect to each Transaction under Sections 2 and 6 of the Master Agreement and under this Agreement, including without limitation, the obligations of the Pledgor from time to time under Sections 11 and 12 hereof. Unless provided otherwise in the Confirmation confirming a Transaction, the rights of the Secured Party with respect to any Collateral so Paid or Delivered shall include, without limitation, any other rights provided for in this Agreement, the right on any terms to sell pursuant to a repurchase transaction, pledge, repledge, hypothecate, or further assign such Collateral; provided, however, that no such transaction shall relieve the Secured Party of its obligations to return such Collateral or Proceeds therefrom pursuant to Sections 7(c) and 8 of this Agreement.

5. REPRESENTATIONS AND WARRANTIES.

The Pledgor represents and warrants to the Secured Party that on each occasion that the Pledgor Pays or Delivers Collateral to the Secured Party and/or to any agent for safekeeping of the Secured Party that: (a) the Secured Party will have a valid, first prior perfected and enforceable security interest in, and lien on, any and all Collateral Paid or Delivered to the Secured Party or to any agent for safekeeping of the Secured Party; (b) the Pledgor is the sole owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Pledgor acquires rights in the Collateral, will be the sole owner thereof); and (c) except for security interests in favor of the Secured Party, no person has (or, in the case of after-acquired Collateral, at the time the Pledgor acquires rights therein, will have) any right, title, claim or interest (by way of lien, mortgage, pledge, charge, security interest or other encumbrance, or otherwise) in, against, or to the Collateral. The Pledgor further represents and warrants to the Secured Party that: (a) the representations set forth in Section 3 of the Master Agreement are accurate and complete as of the date hereof and shall continue to be accurate and complete during the term of this Agreement; and (b) at all times during the term of this Agreement,

Pledgor will continuously include and maintain as part of its official written books and records this Agreement, all exhibits, supplements, and attachments hereto and documents incorporated by reference herein, and evidence of all necessary authorizations.

6. COVENANTS OF THE PLEDGOR.

So long as this Agreement is in effect, the Pledgor covenants that it: (a) shall defend the Collateral against the claims and demands of all other parties except the Security Interest of the Secured Party, shall keep such Collateral free from all security interests or other encumbrances except the Security Interest and any security interests or other encumbrances created by the Secured Party, and shall not sell, transfer, assign, deliver, or otherwise dispose, of any such Collateral or any interest therein without the prior written consent of the Secured Party; (b) shall notify the Secured Party promptly in writing of any change in the Pledgor's address specified in the Schedule to the Master Agreement; (c) shall execute and deliver to the Secured Party such financing statements, assignments, and other documents and do such other things relating to the Collateral and the Security Interest as the Secured Party may reasonably request, and pay all reasonable costs of title searches and filing financing statements, assignments, and other documents in all public offices reasonably requested by the Secured Party; and (d) shall pay all taxes, assessments, and other charges of every nature which may be imposed, levied, or assessed against or with respect to the Collateral.

7. ADMINISTRATION OF COLLATERAL.

The Collateral shall be administered in accordance with the following provisions:

(a) Investment of Cash Collateral. The Secured Party shall invest and reinvest or procure the investment and reinvestment of any Cash Collateral in accordance with written instructions from time to time from the Pledgor, subject to the approval of such instructions by the Secured Party and subject to any limitations in the Confirmation confirming a Transaction; provided, however, that the Secured Party shall not be required to so invest or reinvest or procure such investment and reinvestment if a Potential Event of Default or an Event of Default with respect to the Pledgor shall have occurred and be continuing.

(b) Substitution of Collateral. Except when a Potential Event of Default or an Event of Default with respect to the Pledgor shall have occurred and be continuing and subject to any limitations in the Confirmation confirming a Transaction, the Pledgor may substitute for any Collateral, Cash Collateral or Non-Cash Collateral of equal Value (as certified by the Pledgor and agreed by the Secured Party) upon five Business Days' notice to the Secured Party.

In connection with each substitution of Collateral hereunder, the Pledgor shall, upon request of the Secured Party, execute a receipt showing the Collateral surrendered, Paid, or Delivered to it.

Each substitution of a Collateral shall constitute a reaffirmation by the Pledgor that the substituted Collateral shall be subject to, and governed by, the terms of this Agreement.

(c) Proceeds of Collateral. All Collateral and all principal, interest, and other payments and distributions of cash or other property with respect thereto, and all rights, privileges, and other securities of every kind distributed with respect thereto or in exchange therefor ("Proceeds") shall be and remain the property of the Pledgor. The Secured Party shall Pay to the Pledgor on the date payable to the Secured Party (or shall procure the Payment of) any cash Proceeds attributable to payments of principal or interest on Collateral consisting of Government Obligations to the extent the aggregate Value of Collateral then issued in favor of and/or held by or for the Secured Party and/or any agent for safekeeping designated by the Secured Party (including such cash Proceeds) with respect to a Transaction, exceeds the Transaction Collateral Requirement on the Business Day immediately preceding the date of such Payment; provided, however, that the Secured Party shall not

be required to Pay or procure the Payment of any such cash Proceeds to the Pledgor if a Potential Event of Default or an Event of Default with respect to the Pledgor shall have occurred and be continuing. With respect to Collateral consisting of Government Obligations the ownership of which is registered to the Pledgor or any person designated by or on behalf of the Pledgor, the Secured Party shall be deemed to have procured the Payment to the Pledgor of all cash Proceeds from such Collateral not retained by or on account of the Secured Party. All cash Proceeds not so Paid and all other Proceeds shall become additional Collateral subject to the Security Interest and lien created by this Agreement in favor of the Secured Party. Upon request of the Pledgor, the Secured Party shall advise the Pledgor of the Value of any Proceeds then held by the Secured Party.

8. RETURN OF COLLATERAL FOLLOWING EARLY TERMINATION.

Promptly following the later of (a) the earlier of the last Termination Date of all Transactions and the Early Termination Date if any in respect of all Transactions and the Master Agreement and (b) the date upon which the Pledgor has paid all amounts if any due from it under the Master Agreement and all Transactions, the Secured Party shall Pay or Deliver or procure the Payment or Delivery to the Pledgor of all the other Collateral then held by or for the Secured Party and/or any agent for safekeeping of the Secured Party (except for such of the Collateral as may be required to satisfy the rights of the Secured Party against such Collateral arising pursuant to Section 9 of this Agreement). In connection with each such surrender, Payment, or Delivery, the Pledgor, upon request of the Secured Party, shall execute a receipt showing the Collateral surrendered, Paid, or Delivered to it.

9. EXERCISE OF RIGHTS AGAINST COLLATERAL.

If the Pledgor shall fail to pay any amounts to the Secured Party under a Transaction or the Master Agreement when due (whether as a result of an early termination of the Master Agreement and all Transactions or otherwise) and such failure shall be continuing after any applicable grace period, the Secured Party: (i) may exercise, as to all other Collateral then held by or for the Secured Party and any agent for safekeeping of the Secured Party and as to all other obligations of the Pledgor to the Secured Party under the Master Agreement and all Transactions, the rights and remedies of a secured party under the UCC and as otherwise provided by law; and (ii) to the extent permitted by applicable law, may at its sole option and upon written notice and without demand upon the Pledgor exercise either or both of the following remedies:

(i) liquidate in a commercially reasonable manner all or any part of the Collateral in any manner deemed reasonable by the Secured Party, with the proceeds of such liquidation constituting additional Collateral hereunder, or

(ii) set-off the Value of such Collateral against amounts due to the Secured Party and not yet paid under the Master Agreement and any Transaction and against amounts paid thereunder but recovered by or on behalf of the Pledgor.

10. NO COUNTERCLAIM.

The Secured Party's rights against the Collateral as provided hereunder shall be absolute and subject to no counterclaim, set-off, deduction, or defense in favor of the Pledgor except as contemplated in Sections 2 and 6 of the Master Agreement.

11. COSTS OF TRANSFER.

The Pledgor shall be responsible for, and shall reimburse the Secured Party for, all transfer taxes and other costs involved in the transfer of other Collateral from the Pledgor to the Secured Party and/or any agent for safekeeping of the Secured Party. If the Secured Party shall incur any loss by reason of the Pledgor's failure to pay all such taxes and costs, the Secured Party shall have the right

to apply and liquidate Collateral having a Value sufficient to satisfy its claim against the Pledgor for such taxes and costs.

12. EXPENSES.

The Pledgor agrees to pay the Secured Party, and agrees that the Secured Party may apply the proceeds of any liquidation of any Collateral, and/or set-off the Value of any Collateral against, the reasonable costs and expenses (including without limitation attorneys' fees and disbursements) incurred by the Secured Party in collecting or liquidating any other Collateral, or in otherwise enforcing any of the Secured Party's rights hereunder or under any other Credit Support Document provided by the Pledgor; provided, however, that the Pledgor's obligations under this Section 12 shall not extend to the costs and expenses of the Secured Party incurred in the ordinary administration of the provisions of this Agreement.

13. CUMULATIVE RIGHTS.

The rights, powers, and remedies of the Secured Party under this Agreement shall be in addition to all rights, powers, and remedies given to the Secured Party under the Master Agreement or by virtue of any statute or rule of law, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Secured Party's rights or the Security Interest of the Secured Party in the other Collateral.

14. CREDIT SUPPORT DEFAULT UNDER MASTER AGREEMENT.

With respect to an Event of Default described under Section 5(a)(iii) of the Master Agreement and a failure by the Pledgor to provide Collateral to the Secured Party in accordance with Section 2 of this Agreement, the grace period relating to such failure shall be three Business Days after written notice from the Secured Party of such failure.

15. MISCELLANEOUS.

(a) Amendments, Etc. Any amendment, modification, or waiver of any provision of this Agreement shall be in writing and signed by both parties hereto, and any such waiver shall be effective only for the specific purpose for which given and for the specific time period if any contemplated therein.

(b) Notices. Except as otherwise indicated herein or in any Confirmation, all notices and other communications required or permitted under this Agreement shall be delivered in the manner and shall become effective at the times set forth in the Master Agreement.

(c) Waivers. No failure or delay by either party hereto in exercising any right, power, or privilege hereunder shall operate as a waiver thereof.

(d) Transfer. Any transfer or delegation by either party to this Agreement of its rights, obligations, or interests hereunder shall be effected, if at all, to the extent permitted, and in accordance with the procedures specified in, the transfer provisions of the Master Agreement.

(e) JURISDICTION. WITH RESPECT TO ANY SUIT, ACTION, CLAIM, OR PROCEEDINGS RELATING TO THIS AGREEMENT ("PROCEEDINGS"), EACH PARTY IRREVOCABLY:

(i) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY; AND

(ii) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDINGS BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT SUCH PROCEEDINGS HAVE BEEN BROUGHT IN AN INCONVENIENT FORUM, AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDINGS, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY.

(f) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE.

(g) Headings. The headings of this Agreement are for convenience of reference only and shall not affect the meaning or construction of any provision hereof.

(h) Entire Agreement. This Agreement supplements, forms part of, and is subject to the Master Agreement. This Agreement together with the Master Agreement and the Confirmation contain the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto; provided, however, that each Confirmation confirming a Transaction shall survive and be deemed a part hereof as if set forth herein; and provided, further, that in the case of any conflict between the provisions of this Agreement, the Definitions, and/or any Confirmation confirming a Transaction, the provisions of such Confirmation shall control.

(i) 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.

(j) Partial Invalidity. In the event that any provision of this Agreement is declared to be illegal, invalid, or otherwise unenforceable by a court of competent jurisdiction or regulatory authority, the remainder of this Agreement shall not be affected except to the extent necessary to delete such illegal, invalid or unenforceable provision unless the deletion of such provision would substantially impair the respective benefits of the remaining portions of this Agreement.

(k) Appointment. The Pledgor hereby appoints the Secured Party its attorney-in-fact, with full power of substitution, for the purpose of taking such action and executing agreements, instruments and other documents, in the name of the Pledgor, as the Secured Party may deem necessary or advisable to accomplish the purpose hereof, which appointment is coupled with an interest and is irrevocable.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers or representatives thereunto duly authorized as of the date first above written.

NEW VALLEY CORPORATION

By: /s/ RICHARD LAMPEN

Name: Richard Lampen
Title: Executive Vice President

INTERNATIONALE NEDERLANDEN (U.S.)
CAPITAL MARKETS, INC.

By: /s/ JOHN H. CLEMENT

Name: John H. Clement
Title: Vice President

[EXECUTION COPY]

INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL MARKETS, INC.

Date: February 28, 1996

To: New Valley Corporation
Telephone No.: 305-579-8000
Facsimile No.: 305-579-8009
Attention: Howard Lorber / Richard Lampen

From: Internationale Nederlanden (U.S.) Capital Markets, Inc.
Telephone No.: (212) 446-1795
Facsimile No.: (212) 371-9295
Carolyn Nevias

Re: Total Return Equity Swap Transaction based on RJR Nabisco Holdings Corp. Common Stock

Our Ref. No.: SAG N-0056-022896-S

CONFIRMATION

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the "Transaction") between Internationale Nederlanden (U.S.) Capital Markets, Inc. ("ING") and New Valley Corporation ("New Valley"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between the 1991 ISDA Definitions and provisions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of February 28, 1996, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

Type of Transaction:	Total Return Equity Swap
Trade Date:	February 28, 1996
Effective Date:	February 29, 1996

Termination Date:	The earlier of (a) the Scheduled Termination Date or (b) the Optional Termination Date as to the entire Transaction.
Scheduled Termination Date:	August 30, 1996, or, if such day is not an Exchange Business Day, the immediately succeeding Exchange Business Day.
Issuer:	RJR Nabisco Holdings Corp. (the "Issuer").
Shares:	Common Shares of the Issuer, CUSIP No. 74960K876.
Initial Notional Amount:	U.S. $34,250,000.
Notional Amount:	Aggregate Initial Valuation Price.
Number of Shares:	1,000,000.
FIXED AMOUNTS:	
Initial Fixed Amount:	
Initial Fixed Amount Payer:	New Valley
Initial Fixed Amount:	U.S. $1,271,839.05.
Initial Fixed Amount Payment Date:	The Effective Date.
Second Fixed Amount:	
Second Fixed Amount Payer:	New Valley.
Second Fixed Amount:	If the Notional Amount shall be greater than the Initial Notional Amount, the Second Fixed Amount shall be the present value on the Second Fixed Amount Payment Date of the Additional Interest Amount, as calculated by the Calculation Agent. If the Notional Amount shall equal or be less than the Initial Notional Amount, the Second Fixed Amount shall be zero. "Additional Interest Amount" means an amount equal to the product of (i) the excess (if any) of the Notional Amount over the Initial Notional Amount, (ii) a rate equal to USD-LIBOR-BBA (with a Designated Maturity of 6 months and a Reset Date that is the Second Fixed Amount Payment Date) plus 2.25% per annum, (iii) the number of days from (and including) the Effective Date to (but excluding) the Scheduled Termination Date, and (iv) 1/360.

Second Fixed Amount Payment Date:	March 14, 1996.
Third Fixed Amount:	
Third Fixed Amount Payer:	New Valley.
Third Fixed Amount:	U.S. $250,000.
Third Fixed Amount Payment Date:	The Effective Date.
Fourth Fixed Amount:	
Fourth Fixed Amount Payer:	ING.
Fourth Fixed Amount:	If the Notional Amount shall be less than the Initial Notional Amount, the Fourth Fixed Amount shall be an amount equal to the product of (i) the Initial Fixed Amount and (ii) an amount equal to (A) 1.00 minus (B) the Notional Amount divided by the Initial Notional Amount. If the Notional Amount shall equal or be greater than the Initial Notional Amount, the Fourth Fixed Amount shall be zero.
Fourth Fixed Amount Payment Date:	March 14, 1996.
FLOATING AMOUNT	
Floating Amount Payer:	The Floating Amount Payer shall be ING, if the Aggregate Final Valuation Price shall exceed the Notional Amount. The Floating Amount Payer shall be New Valley, if the Aggregate Final Valuation Price shall be less than the Notional Amount.
Floating Amount:	An amount equal to the absolute value of the following: A + B - C where A = Aggregate Final Valuation Price B = Aggregate Dividends C = Notional Amount In no case shall New Valley be required to pay a Floating Amount that is greater than the excess of the Notional Amount over the Put Protection Amount.

Floating Amount Payment Date:	Three Business Days after the final Final Valuation Date.
Optional Termination:	(a) New Valley may after the Effective Date designate any Exchange Business Day prior to the Scheduled Termination Date as the "Optional Termination Date" by giving ING written notice on a Business Day before 12:00 noon, New York time, at least 16 Exchange Business Days prior to such designated day. (b) If New Valley designates an Optional Termination Date in accordance with paragraph (a), the following amounts shall be due and payable in addition to the Floating Amount on the Floating Amount Payment Date: (i) ING shall pay to New Valley the Early Termination Interest Amount and (ii) New Valley shall pay to ING an amount equal to all reasonable costs and losses (including, but not limited to, breakage costs) incurred by ING as a result of such designation and the early termination of this Transaction, but excluding all costs associated with the termination of any put or similar equity hedge position by ING with respect to this Transaction. (c) In the event that New Valley shall fail to comply with any of its obligations under the Security Agreement or Section 2(b) of this Confirmation, (in addition to any other rights ING may have), the following shall apply: (i) ING may provide to New Valley notice (verbal (promptly followed in writing) or written (including facsimile)) of such failure and if New Valley fails to cure any such failure by 3:00 p.m., New York City time, on the Business Day immediately following the date of such notice (such Business Day, "Day X"), ING may designate without prior notice to New Valley the second Business Day following the date of such notice as the "Optional Termination Date" in respect of all or a portion of this Transaction. Verbal notices to New Valley under this paragraph (i) shall be given to the President (currently Howard Lorber) or the Executive Vice President (currently Richard Lampen) of New Valley. (ii) In the event that ING designates an Optional Termination Date in accordance with this paragraph (c), notwithstanding anything herein to the contrary, (A) the Floating Amount and the amounts described in paragraph (b)

shall be due and payable on the first Business Day after such Optional Early Termination Date but such amounts shall be calculated by the Calculation Agent with respect to the portion of the Transaction as to which the Optional Early Termination Date applies, and (B) with respect to such amounts and any other future amounts due and payable under this Transaction, the Calculation Agent will adjust the calculation or determination of the Floating Amount, the Early Termination Interest Amount, the Number of Shares, any component of any of the foregoing and any other affected or relevant terms or amounts and determine the effective date of any such adjustment. Such adjustments shall include (without limitation) for the purpose of calculating the Floating Amount due in respect of such Optional Early Termination Date, an adjustment of the Final Valuation Period to be the period from (and including) Day X (or the immediately succeeding Exchange Business Day) to (and including) such Optional Early Termination Date.

(d) ING will determine the amounts described above in good faith, in its sole discretion and in a commercially reasonable manner, such determination in this regard will (absent manifest error) be final, conclusive and binding.

Calculation Agent: ING

Business Days: New York

Governing Law: New York

2. Other Provisions: (a) Definitions:

"Aggregate Dividends" means an amount equal to all dividends declared by the Issuer on the Number of Shares (net of any withholding taxes) in respect of which the applicable record date is fixed to be a date occurring during the Term of the Transaction, subject to the following:

(i) any amounts due in respect of such dividends not paid to U.S. holders of Shares as of the Termination Date shall be due and payable to New Valley only upon their receipt

by such holders (or if ING shall be a holder of Shares, upon their receipt by ING);

(ii) any amounts due in respect of such dividends paid in a form other than USD cash shall be paid in USD cash in an amount equal to the USD Value of such dividends determined on or about the Termination Date;

(iii) any amounts due in respect of such dividends declared with respect to a record date during the Term of this Transaction shall be calculated and determined with respect to a number of Shares equal to either: (A) the Number of Shares minus the number of Shares relating to this Transaction previously sold by ING or (B) the product of the Number of Shares and the Remaining Percentage, in each case subject to adjustment by the Calculation Agent for days on which the Shares trade ex-dividend; and

(iv) Aggregate Dividends shall include interest accrued on USD cash dividends (net of any withholding taxes) received by ING prior to the Termination Date in respect of the Shares. Such interest shall accrue from the date of ING's receipt of the cash dividend to (but excluding) the Termination Date at the Dividend Interest Rate.

"Aggregate Final Valuation Price" means an amount equal to (i) the product of the Final Share Price and the Number of Shares minus (ii) the product of $0.013 per Share and the Number of Shares.

"Aggregate Initial Valuation Price" means an amount equal to the sum of (i) the product of the Initial Share Price and the Number of Shares, and (ii) the product of $0.013 per Share and the Number of Shares.

"Dividend Interest Rate" means with respect to any USD cash dividends on the Shares received by ING, a rate determined by the Calculation Agent as the bond equivalent yield on U.S. Treasury bills with a remaining maturity equal to (or approximately equal to) the then remaining Term.

"Early Termination Interest Amount" means the present value of the product of: (i) the sum of (A) the product of (1) the lesser of the Notional Amount or the Initial

Notional Amount and (2) 5.25%, and (B) the product of (1) the excess (if any) of the Notional Amount over the Initial Notional Amount, and (2) the rate equal to the USD-LIBOR-BBA described in clause (ii) of the definition of "Additional Interest Amount", (ii) the number of days from (and including) the Floating Amount Payment Date to (but excluding) the Scheduled Termination Date and (iii) 1/360.

"Exchange" means the New York Stock Exchange.

"Exchange Business Day" means a trading day on the Exchange other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time.

"Exchange Price" means with respect to any day, the official closing price on the Exchange of one Share on such day, subject to clause (b) of the penultimate sentence in the definition of "Final Valuation Date."

"Extraordinary Price Decrease" means with respect to any day, a decrease of five percent or more in the Exchange Price from the Exchange Price on the immediately preceding Exchange Business Day.

"Final Share Price" means:

(a) in the event that at any time on the first day of the Final Valuation Period, ING shall hold Shares in respect of the Transaction in a number no less than 75% of the Number of Shares, the "Final Share Price" shall be the average weighted sale price per Share of such Shares sold by ING during the Final Valuation Period, or

(b) in all other cases, the "Final Share Price" shall be the average weighted Exchange Price for each Final Valuation Date (such weighting to be based on the Fractional Components).

"Final Valuation Date" means any Scheduled Final Valuation Date unless there is a Market Disruption Event on such Scheduled Final Valuation Date. If there is a Market Disruption Event on such Scheduled Final Valuation Date, then the relevant Final Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the two Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Final Valuation Date. In that case,

(a) that second Exchange Business Day shall be deemed to be the relevant Final Valuation Date, notwithstanding the Market Disruption Event, and (b) the Calculation Agent shall determine the Exchange Price in accordance with its good faith estimate of the Exchange traded price for a Share that would have prevailed but for the Market Disruption Event as of 3:00 p.m., New York time, on that second Exchange Business Day. In no event shall the final Final Valuation Date be later than the second Exchange Business Day after the Termination Date.

"Final Valuation Period" means the period from (and including) the initial Scheduled Final Valuation Date to (and including) the final Final Valuation Date.

"Fractional Component" means with respect to each Final Valuation Date, 1/15, except that if any Market Disruption Event shall occur during the Final Valuation Period, the "Fractional Component" with respect to any Final Valuation Date occurring on or after the date on which such Market Disruption Event shall occur shall be such other percentage as shall be determined by the Calculation Agent, provided that the sum of the Fractional Components shall equal one.

"Initial Share Price" means:

(a) in the event that during the Initial Valuation Period ING shall have entered into trades to purchase any Shares in respect of this Transaction, the average weighted purchase price per Share for such Shares, or

(b) in all other cases, the "Initial Share Price" shall be the average unweighted Exchange Price for each Exchange Business Day during the Initial Valuation Period.

"Initial Valuation Period" means the period from (and including) the Effective Date to (but excluding) the Second Fixed Amount Payment Date.

"Market Disruption Event" means the occurrence or existence on any Exchange Business Day of any suspension or limitation imposed on trading on the Exchange in the Shares, if in the determination of the Calculation Agent such suspension or limitation is material.

"Put Protection Amount" means the aggregate USD value of the Puts purchased by ING during the Initial

Valuation Period in connection with the Transaction if, on the exercise date thereof, the price of the Shares were $0.00. ING shall use the proceeds of the Third Fixed Amount to purchase Puts on Shares as follows: initially, ING shall attempt to purchase Puts on approximately 400,000 Shares; however, the final number of Shares on which ING shall be able to purchase Puts shall be based on the market price of the Shares on the date that the Puts are purchased. For purposes of this definition, "Puts" shall mean put options on Shares, with an exercise price struck as close to 25% out-of-the-money as possible at the time purchased. ING shall only purchase Puts "onexchange" or in the form of over-the-counter contracts with recognized option dealers.

"Remaining Percentage" means with respect to any day in the Final Valuation Period, an amount equal to the excess of (i) 100% over (ii) the sum (expressed as a percentage) of the Fractional Components for such day and each Final Valuation Date prior to such day.

"Scheduled Final Valuation Dates" mean the 14 Exchange Business Days prior to the Termination Date and the Termination Date.

"USD Value" means with respect to any dividend not in the form of USD cash: (i) if there is a customary interdealer market for such dividend, the market bid price of such dividend as determined by the Calculation Agent or (ii) if no such market or price exists then the fair market value of such dividend as determined in good faith by the Calculation Agent, in each case, net of all withholding taxes and customary brokerage and other fees in respect of such dividends or the sale of such dividends.

(b) Collateral Requirement:

(i) New Valley will deliver to ING pursuant to the Security Agreement on the Effective Date collateral in the form of zero coupon U.S. Treasury Bills with a value on the Effective Date equal to USD 8,562,500.

(ii) New Valley will deliver to ING pursuant to the Security Agreement on the Second Fixed Amount Payment Date collateral such that the Value of all Collateral held by ING shall not be less than the Transaction Collateral Requirement.

(iii) For the purposes of Sections 2 and 3 of the Security Agreement, and solely with respect to this Transaction:

(A) the "Initial Amount" shall be

USD 8,562,500;

(B) the "Transaction Collateral Requirement" under the Security Agreement for this Transaction shall be an amount determined by ING to be equal to the sum of (i) 25% of the Notional Amount, plus (ii) the then mark-to-market exposure of ING to New Valley under this Transaction (expressed as a positive number) plus (iii) all unpaid amounts due and payable by New Valley to ING under this Transaction;

(C) the only permissible types of Collateral permitted to be substituted pursuant to Section 2(b) of the Security Agreement shall be USD cash and U.S. Treasury bills with original maturities of one year or less;

(D) for purposes of Section 2(a) of the Security Agreement, (1) except as provided in paragraphs (i) and (ii) above, ING shall demand additional Collateral only if it shall have determined that the Transaction Collateral Requirement exceeds the Value of Collateral referred to therein (and assuming the term "20%" were substituted for "25%") in the definition of "Transaction Collateral Requirement", and (2) such a demand shall be deemed to automatically be given at 3:00 p.m., New York City time, on any day on which an Extraordinary Price Decrease shall occur;

(E) without limiting ING's rights under Section 9 of the Security Agreement, the last sentence of Section 4 of the Security Agreement shall not apply to the Government Securities pledged by New Valley to ING thereunder with respect to this Transaction; and

(F) for purposes of Section 2(d) of the Security Agreement, New Valley may request (in accordance with such Section) ING to release collateral to New Valley.

(C) NON RELIANCE:

EACH PARTY REPRESENTS TO THE OTHER PARTY THAT IT IS ENTERING INTO THIS TRANSACTION IN RELIANCE UPON ITS OWN INDEPENDENT JUDGMENT AND THAT:

(I) IT IS A SOPHISTICATED INVESTOR AND THIS TRANSACTION IS SUITABLE FOR ITS INVESTMENT CRITERIA;

(II) THE OTHER PARTY HERETO OR THERETO IS NOT ACTING AS A FIDUCIARY OR FINANCIAL OR INVESTMENT ADVISOR FOR IT;

(III) IT IS NOT RELYING (FOR PURPOSES OF MAKING ANY INVESTMENT DECISION OR OTHERWISE) UPON ANY ADVICE, COUNSEL OR REPRESENTATIONS (WHETHER WRITTEN OR ORAL) OF THE OTHER PARTY HERETO OR THERETO OTHER THAN THE REPRESENTATIONS EXPRESSLY SET FORTH IN THIS CONFIRMATION, AND THE AGREEMENT;

(IV) THE OTHER PARTY HERETO OR THERETO HAS NOT GIVEN TO IT (DIRECTLY OR INDIRECTLY THROUGH ANY OTHER PERSON) ANY ASSURANCE, GUARANTY, OR REPRESENTATION WHATSOEVER AS TO THE EXPECTED OR PROJECTED SUCCESS, PROFITABILITY, RETURN, PERFORMANCE, RESULT, EFFECT, CONSEQUENCE, OR BENEFIT (EITHER LEGAL, REGULATORY, TAX, FINANCIAL, ACCOUNTING, OR OTHERWISE) OF THIS TRANSACTION OR OTHER DOCUMENTATION RELATING TO THIS TRANSACTION;

(V) IT HAS CONSULTED WITH ITS OWN LEGAL, REGULATORY, TAX, BUSINESS, INVESTMENT, FINANCIAL, AND ACCOUNTING ADVISORS TO THE EXTENT IT HAS DEEMED NECESSARY, AND IT HAS MADE ITS OWN INVESTMENT, HEDGING AND TRADING DECISIONS BASED UPON ITS OWN JUDGMENT AND UPON ANY ADVICE FROM SUCH ADVISORS AS IT HAS DEEMED NECESSARY AND NOT UPON ANY VIEW EXPRESSED BY THE OTHER PARTY HERETO OR THERETO;

(VI) IT HAS DETERMINED THAT THE RATES, PRICES OR AMOUNTS AND OTHER TERMS OF THIS TRANSACTION AND THE INDICATIVE QUOTATIONS (IF ANY) PROVIDED BY THE OTHER PARTY HERETO OR THERETO REFLECT THOSE IN THE RELEVANT MARKET FOR SIMILAR TRANSACTIONS, AND ALL TRADING DECISIONS HAVE BEEN THE RESULT OF ARM'S LENGTH NEGOTIATIONS BETWEEN THE PARTIES;

(VII) IT IS ENTERING INTO THIS CONFIRMATION AND ANY OTHER DOCUMENTATION RELATING TO THIS TRANSACTION WITH A FULL UNDERSTANDING OF ALL OF THE TERMS, CONDITIONS AND RISKS HEREOF AND THEREOF (ECONOMIC AND OTHERWISE), AND IT IS CAPABLE OF ASSUMING AND WILLING TO ASSUME (FINANCIALLY AND OTHERWISE) THOSE RISKS; AND

(VIII) THE INDIVIDUAL(S) EXECUTING THIS CONFIRMATION AND ANY OTHER RELATED DOCUMENTATION (INCLUDING THE AGREEMENT) ARE DULY EMPOWERED AND AUTHORIZED TO DO SO.

3. Adjustment Provisions: Notwithstanding anything herein to the contrary, the provisions of Part 6 "Equity Swap Adjustment Events" of the Schedule to the Agreement applies to this Transaction.

4. Account Details:

Payments to ING:

Morgan Guaranty Trust Company New York
ABA No.: 0210-0023-8
Account No.: 600-07-116
Account: ING (U.S.) Capital Corporation
Favor: Internationale Nederlanden (U.S.)
Capital Markets, Inc.
Reference: SAG20
Attention: Ruth Troche

Payments to New Valley:

Barnett Bank of South Florida, N.A.
Miami Florida
ABA No.: 067003985
Account: New Valley Corporation
Account No.: 1596321083
Attention: Ivonne Gomez
Phone No.: 305-789-3099

[Rest of page intentionally left blank.]

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to the fax number listed above.

Yours Sincerely,	Accepted and Confirmed:
INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL MARKETS, INC.	NEW VALLEY CORPORATION
By:/s/ JOHN H. CLEMENT	By:/s/ RICHARD LAMPEN
Name: John H. Clement	Name: Richard Lampen
Title: Vice President	Title: Executive Vice President