SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): FEBRUARY 2, 1998

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

1-5759
(Commission File Number)

51-0255124
(I.R.S. Employer Identification No.)

DELAWARE
(State or other jurisdiction of incorporation or organization)

100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
(Address of principal executive offices including Zip Code)

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

(NOT APPLICABLE)
(Former name or former address, if changed since last report)

BGLS INC.
(Exact name of registrant as specified in its charter)

33-93576
(Commission File Number)

13-3593483
(I.R.S. Employer Identification No.)

DELAWARE
(State or other jurisdiction of incorporation or organization)

100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
(Address of principal executive offices including Zip Code)

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

(NOT APPLICABLE)
(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

On February 2, 1998, Brooke Group Ltd. ("BGL") issued a press release, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference. The press release related, among other things, to BGL's wholly-owned subsidiary, Liggett Group Inc. ("Liggett"), entering into various amendments to the Indenture governing Liggett's Senior Secured Notes, copies of which amendments and related agreements are attached hereto as Exhibits 99.2 through 99.6 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

The following Exhibits are provided in accordance with the provisions of Item 601 of Regulation S-K and are filed herewith unless otherwise noted.

EXHIBIT INDEX

99.1 Press Release of Brooke Group Ltd. dated February 2, 1998.

99.2 Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, dated as of January 30, 1998, between Liggett Group Inc. ("Liggett"), Eve Holdings Inc. ("Eve") and Bankers Trust Company, as Trustee.

99.3 Amendment No. 2 to Security Agreement, dated as of January 30, 1998, among Liggett, Eve and Bankers Trust Company, as Collateral Agent.

99.4 Commitment, Contribution and Subordination Agreement, dated as of January 30, 1998, by Liggett, BGL, BGLS Inc., Brooke (Overseas) Ltd. ("BOL") and Bankers Trust Company, as Trustee.

99.5 Registration Rights Agreement, dated as of January 30, 1998, among BGL and the holders of record of the shares of BGL's common stock referred to therein.

99.6 Pledge Agreement, dated as of January 30, 1998, among BOL and Bankers Trust Company, as Collateral Agent.

SIGNATURE

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

BROOKE GROUP LTD.

By: /s/ JOSELYNN D. VAN SICLEN

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

BGLS INC.

By: /s/ JOSELYNN D. VAN SICLEN

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

Date: February 3, 1998

EXHIBIT 99.1

SARD VERBINNEN & CO NEWS

FOR IMMEDIATE RELEASE

Contact: George Sard/Anna Cordasco/Paul Caminiti
Sard Verbinnen & Co.
212/687-8080

LIGGETT GROUP TO EXTEND PAYMENT ON NOTES UNTIL 1999; BROOKE GROUP CONTINUES TO NEGOTIATE BGLS NOTES

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MIAMI, FL, February 2, 1998 -- Brooke Group Ltd. (NYSE: BGL) announced today that its wholly-owned subsidiary Liggett Group Inc. has obtained the consents of the required majority of the holders of Liggett's 11.50% Series B and 19.75% Series C Senior Secured Notes due 1999 to various amendments to the Indenture governing Liggett's Senior Secured Notes. The amendments provide, among other things, for the extension of the date of the February 1, 1998 mandatory redemption of $37,500,000 principal amount of Liggett's Senior Secured Notes to the date of final maturity, February 1, 1999. In connection with the amendments, Brooke will issue 482,970 shares of Brooke's common stock to the holders of record on January 15, 1998 of Liggett's Senior Secured Notes. The consent solicitation, originally scheduled to expire at noon EST on January 30, 1998, was extended by Liggett to 5:00 p.m. EST on that date.

Brooke also announced that its wholly-owned subsidiary, BGLS Inc., continues in negotiations with the principal holders of the BGLS 15.75% Senior Secured Notes due 2001 with respect to certain modifications to the terms of such debt. Pending completion of these negotiations, BGLS has postponed making the interest payment due on January 31, 1998 on BGLS' Senior Secured Notes. The Indenture governing BGLS' Senior Secured Notes provides for a 30-day grace period before failure to pay interest will be an event of default.

Brooke Group is a holding company which owns Liggett Group Inc. and controlling interests in Liggett-Ducat Ltd. and New Valley Corporation.

# # # #

EXHIBIT 99.2

SECOND SUPPLEMENTAL INDENTURE
AND
AMENDMENT TO SERIES B AND SERIES C SENIOR SECURED NOTES

THIS SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT TO SERIES B AND SERIES C SENIOR SECURED NOTES (the "SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT TO NOTES"), dated as of January 30, 1998, is between LIGGETT GROUP INC., a Delaware corporation, EVE HOLDINGS INC., a Delaware corporation, and BANKERS TRUST COMPANY, a New York banking corporation organized under the laws of the State of New York, as Trustee under the Indenture, dated as of February 14, 1992, between the foregoing parties (as at any time amended or supplemented or otherwise modified, the "INDENTURE"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered the Indenture providing for the issuance of the Series A Senior Secured Notes and the Series B Senior Secured Notes; and

WHEREAS, pursuant to Section 2 of the Registration Rights Agreement, all of the Series A Senior Secured Notes have heretofore been exchanged for Series B Senior Secured Notes; and

WHEREAS, the Indenture was amended by the First Supplemental Indenture (the "FIRST SUPPLEMENTAL INDENTURE") dated as of January 26, 1994, pursuant to which the Company issued the Variable Rate Series C Senior Secured Notes, which Series C Senior Secured Notes have the same terms (other than the rate of interest) and stated maturity as the Series B Senior Secured Notes; and

WHEREAS, as of the date hereof there are issued and outstanding under the Indenture $112,612,000 principal amount of the Series B Senior Secured Notes and $32,279,081 principal amount of the Series C Senior Secured Notes; and

WHEREAS, the Company desires to amend the Senior Secured Notes, the Indenture and the Security Agreement to, among other things, extend the date of the February 1, 1998 mandatory redemption of $37,500,000 aggregate principal amount of Senior Secured

Notes, required pursuant to paragraph 2(b)(ii) of the Senior Secured Notes (the "1998 MANDATORY REDEMPTION") to February 1, 1999; and

WHEREAS, in consideration of the extension of the 1998 Mandatory Redemption, Brooke Group Ltd. ("BGL"), a Delaware corporation, and BGLS Inc. ("BGLS"), a Delaware corporation, have agreed pursuant to the Commitment, Contribution and Subordination Agreement, dated as of January 30, 1998, executed by BGL, BGLS and Brooke (Overseas) Ltd. ("BOL") in favor of the Trustee and the Noteholders (the "COMMITMENT AGREEMENT") that, in the event the Company shall fail to pay the interest installments in full when due on the Senior Secured Notes on February 1, 1998 and August 1, 1998 (the "1998 INTEREST PAYMENTS"), BGL and BGLS shall, at their option, either (i) arrange for loans to be made to the Company and, if required by the lender thereof, guaranty the repayment of such loans or (ii) make loans to the Company, which loans shall constitute Subordinated Indebtedness, in either case, so as to permit the Company to make such 1998 Interest Payments in full (the "BGL/BGLS COMMITMENT"); and

WHEREAS, BGL and BGLS have agreed pursuant to the Commitment Agreement, that any right of repayment, reimbursement, contribution or subrogation of BGL or BGLS in connection with the BGL/BGLS Commitment, along with any right of repayment, reimbursement, contribution or subrogation of BGL or BGLS in connection with the guarantee of loans made in connection with the Company's payment of the August 1, 1997 interest installment, shall be subordinated in all respects to the prior repayment in full of all amounts outstanding in respect of the Senior Secured Notes (the "BGL/BGLS SUBORDINATION"); and

WHEREAS, in connection with the formation of a joint venture or other entity (the "NEW RUSSIAN ENTITY") to finance the construction of a new tobacco factory in Russia by Liggett-Ducat Limited, a Russian joint stock company ("LIGGETT-DUCAT"), and in consideration of the BGL/BGLS Commitment, the BGL/BGLS Subordination, the BOL Pledge Agreement (as defined below) and the Liggett-Ducat Recapitalization (as defined below), the Company has agreed, pursuant to the Commitment Agreement, to transfer on the Effective Date (as defined below) its approximately 19.97% ownership interest in, and options to acquire additional shares of, Capital Stock of Liggett-Ducat (the "LIGGETT-DUCAT SALE") to BOL and each of BOL, BGL and BGLS has agreed, pursuant to the Commitment Agreement, to cancel or convert to equity all Indebtedness of Liggett-Ducat owed to it (the "LIGGETT-DUCAT RECAPITALIZATION"); and

WHEREAS, BOL has agreed that, in consideration of the Collateral Agent's release at the written direction of the Requisite Holders (in the form of written consent to this Second Supplemental Indenture and Amendment to Notes), of its existing lien on the Company's interests in Liggett-Ducat, BOL will pledge to the Collateral Agent pursuant to the Pledge Agreement, dated January 30, 1998, executed by BOL in favor of the Collateral Agent (the "BOL

PLEDGE AGREEMENT"), sixteen percent (16%) of the fully diluted shares of the Capital Stock of Liggett-Ducat (the "LIGGETT-DUCAT SHARES"), after taking into account the Liggett-Ducat Recapitalization, to secure the Company's obligations under the Indenture; and

WHEREAS, BOL agrees that, upon the occurrence of an Event of Default under the Indenture, the Collateral Agent at the request of the Requisite Holders shall be entitled to direct the Pledgor to cause Liggett-Ducat or the New Russian Entity, as applicable, to register the Pledged Stock (as defined in the BOL Pledge Agreement) on the terms set forth in Appendix A to the BOL Pledge Agreement;

WHEREAS, Section 9.02 of the Indenture provides, among other things, that the Company, the Guarantors and the Trustee may modify and amend the Indenture with the consent of the Requisite Holders, which consent has been obtained; and

WHEREAS, the Company desires to execute this Second Supplemental Indenture and Amendment to Notes and hereby requests the Trustee and the Guarantors to join in this Second Supplemental Indenture and Amendment to Notes for the purpose of amending the Indenture as hereinafter provided; and

WHEREAS, all conditions and requirements under the Indenture and the TIA necessary to make this Second Supplemental Indenture and Amendment to Notes a legal, valid and binding instrument have been done, performed and fulfilled, and the execution and delivery of this Second Supplemental Indenture and Amendment to Notes has been in all respects duly authorized by the parties hereto;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the consent of the Requisite Holders referenced above and the premises set forth herein and for other valuable consideration, the receipt of which is hereby acknowledged, hereby covenants, declares and agrees with the Trustee and its successors in the trust under the Indenture as follows:

ARTICLE ONE

AMENDMENTS TO THE INDENTURE

SECTION 1.01. Section 1.01 of the Indenture shall be amended by adding the following new definitions (to the extent not already included in Section 1.01 thereof) and inserting the same in the appropriate alphabetical locations and amending in their entirety the following definitions (to the extent already included in Section 1.01 thereof), as follows:

"Asset Sale" means any conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction), directly or indirectly, of any properties and assets of the Company or any Subsidiary other than in the ordinary course of business. For the purposes of this Indenture, the term "Asset Sale" shall not include (i) any conveyance, transfer, lease or other disposition (as aforesaid) of properties or assets of the Company or any Subsidiary that is governed by the provisions of Article 5, (ii) any conveyance, transfer, lease or other disposition (as aforesaid) of any Excluded Assets or (iii) the Liggett-Ducat Sale.

"BGL" means Brooke Group Ltd., a Delaware corporation.

"BGLS" means BGLS Inc., a Delaware corporation.

"BOL" means Brooke (Overseas) Ltd., a Delaware corporation.

"BOL Pledge Agreement" means the Pledge Agreement, dated January 30, 1998, executed by BOL in favor of the Collateral Agent, as the same may be amended, supplemented or modified from time to time in accordance with its terms.

"Collateral" means, collectively, (i) the "Collateral" as such term is defined in the Security Agreement, (ii) the "Collateral" as such term is defined in the BOL Pledge Agreement and (iii) the Real Property and proceeds thereof that are from time to time subject to the Lien of the Mortgages.

"Commitment Agreement" means the Commitment, Contribution and Subordination Agreement, dated as of January 30, 1998, executed by BGL, BGLS and BOL in favor of the Trustee and the Noteholders.

"Excluded Subsidiary" means any Subsidiary which would (solely as the result of the ownership by a Person other than the Company or a Subsidiary of Voting Stock or other equity interest of such Subsidiary) be an Affiliate of the Company if the Company's direct or indirect ownership of Voting Stock or other equity interests in such Subsidiary were disregarded.

"Liggett-Ducat Sale" means the sale by the Company to BOL of its approximately 19.97% ownership interest in, and options to acquire additional shares of, Capital Stock of Liggett-Ducat in consideration of the execution and delivery of the Commitment Agreement and the BOL Pledge Agreement.

"Permitted Indebtedness" means, without duplication: (a) Indebtedness of the Company and its Subsidiaries outstanding on the Initial Issuance Date; (b) Indebtedness evidenced by the Senior Secured Notes and the Guarantees; (c) Indebtedness (including guarantees thereof by Subsidiaries) under the Working Capital Facility; (d) obligations under or pursuant to Raw Material Purchase Arrangements (including, without limitation, letters of credit required thereby); (e) intercompany debt obligations between or among the Company and the Subsidiaries; (f) unsecured Indebtedness of the Company, the proceeds of which are used by the Company to make the 1998 Interest Payments and which Indebtedness, if provided by BGL, BGLS, BOL or any of their Affiliates, other than the Company, is Subordinated Indebtedness; and (g) any renewals, extensions, substitutions, refundings, refinancings or replacements of any Indebtedness described in clauses (a) through (c) and (f) above so long as the aggregate principal amount does not exceed the principal amount of the Indebtedness so renewed, extended, substituted, refunded, refinanced or replaced.

"Restricted Investment" means any investment in any Person, whether by share purchase, capital contribution, loan, advance or otherwise, including any credit extension constituting Indebtedness of such Person or guarantee of Indebtedness of such Person, other than: (a) any such investments in Guarantors by the Company or any other Guarantor or by a Guarantor or any Subsidiary in the Company; (b) loans and advances to employees of the Company or any Subsidiary in the ordinary course of business for a proper corporate purpose; (c) any such investments with respect to hedging the Company's or any Subsidiary's exposure to foreign currency fluctuations; (d) any such investments in interest rate swaps, caps or collar agreements or similar arrangements between the Company or any Subsidiary and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies; and (e) Permitted Investments.

"Second Supplemental Indenture and Amendment to Notes" means the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, dated as of January 30, 1998 by and among the Company, the Guarantors and the Trustee.

"Security Documents" means, collectively, the Security Agreement, the Mortgages and the BOL Pledge Agreement.

"Subordinated Indebtedness" means unsecured Indebtedness (i) subordinated by its terms in right of payment to all series of Senior Secured Notes, (ii) having no principal payment with a stated maturity earlier than three months subsequent to the stated maturity of the Senior Secured Notes and (iii) no payment in respect of interest on or principal of which shall be made so long as any Event of Default shall have occurred and be continuing;

SECTION 1.02. Section 4.03 of the Indenture is hereby amended in its entirety to read as follows:

> SECTION 4.03. LIMITATIONS ON RESTRICTED PAYMENTS. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (i) declare or pay any dividend on, or make any distribution on account of, any shares of Capital Stock of the Company (other than dividends and distributions payable in shares of Capital Stock of the Company or in rights, warrants or options to purchase Capital Stock of the Company), (ii) purchase, redeem or otherwise acquire or retire for consideration any shares of Capital Stock of the Company or any option, warrant or other right to acquire any such Capital Stock, (iii) make any payment of principal of, or redeem, repurchase, defease or otherwise acquire or retire for consideration any Subordinated Indebtedness of the Company, (iv) make any Restricted Investments or (v) make any payment to BGLS, BGL or BOL in respect of any Indebtedness of the Company guaranteed by BGLS, BGL or BOL (such payments and any other actions described in clauses (i), (ii), (iii), (iv) and (v) collectively, "Restricted Payments").

SECTION 1.03. Section 4.05 of the Indenture is hereby amended in its entirety to read as follows:

> SECTION 4.05. LIMITATION ON INDEBTEDNESS. The Company shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or directly or indirectly guarantee or in any other manner become directly or indirectly liable for the payment of any

Indebtedness (including Acquired Indebtedness), other than Permitted Indebtedness or Subordinated Indebtedness.

SECTION 1.04. Section 4.06 of the Indenture is hereby amended in its entirety to read as follows:

SECTION 4.06. DISPOSITION OF PROCEEDS OF ASSET SALES. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, make any Asset Sale unless (i) the Company or such Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (as determined by the Board of Directors whose good faith determination shall be conclusive and evidenced by a board resolution) of the assets subject to such Asset Sale and (ii) at least 90% of the consideration for any such Asset Sale consists of cash. The Net Cash Proceeds of and any instruments received in consideration of any Asset Sale shall be deposited with the Collateral Agent in accordance with Section 6.5 of the Security Agreement as additional Collateral to secure the Senior Secured Notes; provided that up to $2,000,000, cumulatively and in the aggregate, of such Net Cash Proceeds may be used by the Company in connection with the Capital Expenditures described on SCHEDULE I to the Second Supplemental Indenture and Amendment to Notes. All proceeds from Asset Sales shall remain subject to the applicable provisions of the applicable Security Documents and all sales and other dispositions of Collateral by or on behalf of or at the direction of the Collateral Agent, which sales or dispositions constitute an Asset Sale, shall be solely governed by the provisions of the Security Documents.

SECTION 1.05. Section 4.09 of the Indenture is hereby amended in its entirety to read as follows:

SECTION 4.09. LIMITATION ON TRANSACTIONS WITH AFFILIATES. The Company shall not, and shall not permit, cause or suffer any Subsidiary to, make any loans, advances or investments to or in any Affiliate of the Company (other than a Subsidiary) or enter into or materially amend (it being understood that the mere renewal or extension of an agreement is not a material amendment)

any agreement relating to the sale, purchase, lease, transfer, or other disposition of any assets, property or services from or to any Affiliate of the Company (other than a Subsidiary which is not an Excluded Subsidiary); provided that the foregoing restrictions shall not apply to any of the following transactions:

(i) The Liggett-Ducat Sale;

(ii) The BGL/BGLS Commitment or any other loans, guarantees or other credit support provided by Affiliates of the Company to the Company; provided that any such loans shall constitute Subordinated Indebtedness and that any right of repayment, reimbursement, contribution or subrogation of any such Affiliate of the Company in connection with such guarantees or credit support shall be subordinated in all respects to the repayment of the Senior Secured Notes;

(iii) Any investment by any Affiliate of the Company in Capital Stock of the Company;

(iv) The Corporate Services Agreement, dated as of June 29, 1990, by and between the Company (formerly Liggett & Myers Tobacco Company) and Brooke Group Ltd. (formerly Liggett Group Inc.); the Corporate Services Agreement, dated as of June 29, 1990, by and between Brooke Group Ltd. (formerly Liggett Group Inc.) and the Company (formerly Liggett & Myers Tobacco Company); the Corporate Services Agreement, dated as of October 1, 1991, by and between the Company and Impel Marketing Inc.; the Services Agreement, dated as of February 26, 1991, by and between Brooke Management Inc. and the Company; the Agreement, dated June 29, 1990, by and among Brooke Group Ltd. (formerly Liggett Group Inc.) and the Company (formerly Liggett & Myers Tobacco Company), Eve Holdings Inc., Harrington Holdings Inc., Impel Marketing Inc., Chesterfield Assets Inc. and BGI Subsidiary Corp; the Corporate Services Agreement, dated as of January 1, 1992, by and between BGLS Inc. and the Company; the Agreement, dated as of October 27, 1986, by and between Brooke Group Ltd. (formerly Liggett Group Inc.), L Holdings Inc. and BGLS (formerly B.S. LeBow, Inc.); and

the Agreement, dated as of February 4, 1991, by and between the Company and NETC/QMC Partnership (in each case as such agreements are in effect as of the Initial Issuance Date and as they may be further amended or modified from time to time; PROVIDED that either (A) such further amendments or modifications are for the purpose of extending or renewing the term of any such agreement on substantially similar terms, with reasonable adjustments to account for inflation on a basis consistent with past practice or (B) such amendments otherwise comply with the provisions of this Section 4.09; PROVIDED, FURTHER, that (a) payments by the Company otherwise permitted under this clause (iv) shall not exceed $3,600,000 cumulatively and in the aggregate during any calendar year, commencing January 1, 1998 and (b) in no event shall any salary be paid by the Company to Bennett S. LeBow subsequent to January 1, 1998;

(v) Any amendment or modification of the Working Capital Facility to the extent such amendment or modification provides for the release and termination of any guarantee of, or the release of any security interest in collateral securing, the Working Capital Facility, in each case as provided by any direct or indirect parent of the Company on or prior to the Initial Issuance Date;

(vi) The payment in respect of pension funding requirements relating to certain noncontributory defined benefit retirement plans sponsored by the Company or an Affiliate of the Company in which employees or leased employees of the Company are then actively participating and accruing benefits consistent with past practice;

(vii) The lease by the Company from BGLS of a G.D. X2 NV Packing Machine for consideration not to exceed $50,000 per month; and

(viii) The license by the Company to Liggett-Ducat of the right to use the brand name "Taste of America" within Russia and within the former CIS countries; provided that such

license is on terms no less favorable to the Company than could be obtained in an arms-length transaction.

SECTION 1.06. Section 4.17 of the Indenture is hereby amended in its entirety to read as follows:

SECTION 4.17. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS. The Company shall not and shall not permit any Subsidiary to, enter into any arrangement with any Person (other than the Company or any Subsidiary) providing for the leasing by the Company or any Subsidiary of any real or personal property (including Collateral) for a term in excess of three years, which property has been or is to be sold or transferred by the Company or any Subsidiary to such Person in contemplation of such leasing, except for sale and leaseback arrangements in effect on January 30, 1998.

SECTION 1.07. The first sentence of paragraph 2(b) of each of Exhibit A and Exhibit B to the Indenture and Exhibit A to the First Supplemental Indenture is hereby amended to read as follows:

The Company will redeem $7,500,000 aggregate principal amount of Senior Secured Notes on February 1 in each of the years 1993 through 1997, in each case at a redemption price of 100% of the aggregate principal amount thereof, plus accrued interest to the redemption date (subject to the provisions of paragraph 2(c) hereof).

ARTICLE TWO

AMENDMENTS TO THE SERIES B AND SERIES C SENIOR SECURED NOTES

SECTION 2.01. The first sentence of paragraph 2(b) of each Senior Secured Note is hereby amended to read as follows:

The Company will redeem $7,500,000 aggregate principal amount of Senior Secured Notes on February 1 in each of the years 1993 through 1997, in each case at a redemption price of 100% of

the aggregate principal amount thereof, plus accrued interest to the redemption date (subject to the provisions of paragraph 2(c) hereof).

ARTICLE THREE

EFFECTIVENESS

SECTION 3.01. The amendments set forth herein shall become effective (the "EFFECTIVE DATE") upon the Trustee's receipt of each of the following by February 2, 1998:

(a) fully executed originals of each of this Second Supplemental Indenture and Amendment to Notes, Amendment No. 2 to Security Agreement, dated as of January 30, 1998, by and between the Company, the Guarantors and the Collateral Agent, the BOL Pledge Agreement, the Commitment Agreement and the BGL Registration Rights Agreement (as defined below), as well as any Board Resolutions, Officers' Certificates or Opinions of Counsel reasonably requested by the Trustee pursuant to the Indenture, the TIA, the Security Agreement, or otherwise;

(b) the February 1, 1998 interest installment in the amount of $9,662,749.25 payable on the Senior Secured Notes, in immediately available funds;

(c) written notice from the Company of the contemporaneous consummation of the Liggett-Ducat Sale on the terms described in the Recitals hereto;

(d) written notice from the Company, acknowledged by special counsel to the Noteholder Committee, of the Company's payment in full of all unpaid reasonable fees and disbursements of special counsel to the Noteholder Committee, such fees and disbursements not to exceed $250,000, which amount includes the approximately $150,000 already paid to such special counsel by the Company;

(e) written notice of the Company's payment in full of all unpaid reasonable fees and disbursements of counsel to the Trustee incurred prior to February 1, 1998, such fees and disbursements not to exceed $75,000, such payment acknowledged by telephone by White & Case;

(f) consents of the Requisite Holders, executed in a form reasonably acceptable to the Trustee; and

(g) an opinion of outside counsel to the Company, satisfactory in form and substance to the Trustee.

SECTION 3.02. Notwithstanding the conditions set forth in Section 3.01 having been satisfied, the amendments set forth in Section 1.07 and Article Two hereof shall cease to be effective upon the failure of the Company to pay either of the 1998 Interest Payments in full, as and when due (taking into account any applicable grace period) and the Company's obligation under paragraph 2(b) of each Senior Secured Note to have redeemed $37,500,000 in aggregate principal amount of Senior Secured Notes by February 1, 1998 shall thereupon be automatically reinstated.

ARTICLE FOUR

EFFECTIVENESS FEE

SECTION 4.01. On the Effective Date (or as soon thereafter as any necessary governmental consents or filings are obtained or made), the Company shall (i) distribute to each Person that shall have complied with the provisions of Section 5.01 hereof and was on January 15, 1998 a Holder of Series B Senior Secured Notes (or pending such Holder's compliance with Section 5.01, shall reserve for distribution to such Holders and deposit with the Trustee) a number of shares of common stock of BGL (rounded up to the nearest whole number of shares) equal to the product of 375,373 shares multiplied by a fraction the numerator of which is the aggregate principal amount of Series B Senior Secured Notes held by such Holder on January 15, 1998 and the denominator of which is the aggregate principal amount of Series B Senior Secured Notes outstanding on January 15, 1998 and (ii) distribute to each Person that shall have complied with the provisions of Section 5.01 hereof and was on January 15, 1998 a Holder of Series C Senior Secured Notes (or pending such Holder's compliance with Section 5.01, shall reserve for distribution to such Holder and deposit with the Trustee), a number of shares of common stock of BGL (rounded up to the nearest whole number of shares) equal to the product of 107,597 shares multiplied by a fraction the numerator of which is the aggregate principal amount of Series C Senior Secured Notes held by such Holder on January 15, 1998 and the denominator of which is the aggregate principal amount of Series C Senior Secured Notes outstanding on January 15, 1998. Any BGL shares required to be issued to any such Holder by the preceding sentence (the "BGL SHARES") shall be issued to such Holder irrespective of whether such Holder shall have delivered a consent to this Second Supplemental Indenture and Amendment to Notes. The Requisite Holders and any other Noteholder that agrees to be bound by the Registration Rights Agreement executed by BGL substantially in the form attached as Exhibit A hereto (the "BGL REGISTRATION RIGHTS AGREEMENT") shall receive registration rights with respect to the BGL Shares on the terms set forth in the BGL Registration Rights Agreement. Any BGL Shares reserved for distribution with the Trustee shall be held by the Trustee in trust for the benefit of the affected Noteholder pending such Noteholder's compliance with Section 5.01. Notwithstanding the foregoing, for the purpose of determining the Persons entitled to receive BGL Shares, Notes held by the Company or its Affiliates shall not be deemed "outstanding", and accordingly, BGL Shares shall not be issued in respect of any Senior Secured Notes held by the Company or its Affiliates. The Trustee makes no representation with respect to, and shall have no liability in connection with, the validity, value or enforceability of the Effectiveness Fee.

ARTICLE FIVE

NOTATION OF NOTES

SECTION 5.01. Pursuant to Section 9.05 of the Indenture, as a precondition to the payment of the effectiveness fee referenced in Section 4.01, the Trustee shall request each of the Noteholders to deliver its Senior Secured Notes to the Trustee for notation by the Trustee as follows:

> THIS SECURITY HAS BEEN MODIFIED, INCLUDING THE EXTENSION OF THE FEBRUARY 1, 1998 MANDATORY REDEMPTION OF SENIOR SECURED NOTES TO FEBRUARY 1, 1999, BY THE TERMS AND CONDITIONS OF THE SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT TO SERIES B AND SERIES C SENIOR SECURED NOTES DATED AS OF JANUARY 30, 1998.

ARTICLE SIX

MISCELLANEOUS

SECTION 6.01. Except as otherwise provided herein, the Indenture, the Guarantee and the Senior Secured Notes shall remain unchanged and in full force and effect.

SECTION 6.02. The parties may sign any number of copies of this Second Supplemental Indenture and Amendment to Notes. This Second Supplemental Indenture and Amendment to Notes may be executed in two or more counterparts, each of which shall be an original, but all of them together represent the same agreement.

SECTION 6.03. The laws of the State of New York shall govern this Second Supplemental Indenture and Amendment to Notes without regard to principles of conflicts of law. The Company, the Guarantors and the Noteholders agree to submit to the jurisdiction of the state and federal courts located in the Borough of Manhattan of the State of New York in any action or proceeding arising out of or relating to this Second Supplemental Indenture and Amendment to Notes.

SECTION 6.04. In case any provision of this Second Supplemental Indenture and Amendment to Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 6.05. The captions of this Second Supplemental Indenture and Amendment to Notes are for convenience only and shall not affect the construction hereof.

SECTION 6.06. The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness.

SECTION 6.07. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture and Amendment to Notes or the consents of the Holders thereto.

SECTION 6.08. All agreements of the Company and the Guarantors in this Second Supplemental Indenture and Amendment to Notes shall bind their respective successors. All agreements of the Trustee in this Second Supplemental Indenture and Amendment to Notes shall bind its successors.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture and Amendment to Notes to be duly executed all as of the date first written above.

LIGGETT GROUP INC.

By:

Name:
Title:

EVE HOLDINGS INC.

By:

Name:
Title:

BANKERS TRUST COMPANY,
as Trustee

By:

Name:
Title:

ACKNOWLEDGED, AGREED AND CONSENTED TO:

BROOKE GROUP LTD.

By:

Name:
Title:

BGLS INC.

By:

Name:
Title:

BROOKE (OVERSEAS) LTD.

By:

Name:
Title:

Exhibit 99.3

AMENDMENT NO. 2 TO SECURITY AGREEMENT

AMENDMENT NO. 2 dated as of January 30, 1998 ("AMENDMENT NO. 2") among LIGGETT GROUP INC., a Delaware corporation (the "ISSUER"), EVE HOLDINGS INC., a Delaware corporation, and each of the other Subsidiaries of the Issuer that, as of the date hereof, is a party to the Security Agreement referred to below (each a "GUARANTOR" and collectively, the "GUARANTORS", and together with the Issuer, the "OBLIGORS"), and BANKERS TRUST COMPANY, acting not in its individual capacity but solely as collateral agent under the Security Agreement referred to below (in such capacity, the "COLLATERAL AGENT").

WHEREAS, the Issuer and the Guarantor are parties to (i) an Indenture dated as of February 14, 1992 (as supplemented and amended and in effect from time to time, the "INDENTURE") with Bankers Trust Company, as trustee (in such capacity, the "TRUSTEE"), under which there is currently outstanding $112,612,000 aggregate principal amount of the Issuer's 11.50% Series B Senior Secured Notes Due 1999 and $32,279,081 of the Issuer's Variable Rate Series C Senior Secured Notes Due 1999 and (ii) a Security Agreement dated as of February 14, 1992, as amended by Amendment No. 1 to Security Agreement dated as of January 26, 1994 (the "SECURITY AGREEMENT"), with the Collateral Agent providing, INTER ALIA and subject to the terms and conditions thereof, for the granting by the Issuer and the Guarantor of a security interest in the Collateral;

WHEREAS, the Issuer, the Guarantor and the Trustee are concurrently executing a supplement to the Indenture providing for certain amendments to the Indenture as described therein;

WHEREAS, pursuant to Section 9.02 of the Indenture, the Requisite Holders (as defined in the Indenture) have consented to the amendment of the Security Agreement as provided herein and the amendments to the Indenture pursuant to the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, dated as of January 30, 1998;

NOW, THEREFORE, in consideration of the premises and other benefits to the Obligors, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 2, terms defined in the Security Agreement are used herein as defined therein.

Section 2. AMENDMENTS. The Security Agreement is hereby amended as follows:

A. References in the Security Agreement (including references to the Security Agreement as amended hereby) to "this Agreement" or "this Security Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Security Agreement as amended hereby.

B. Section 6.5 of the Security Agreement is hereby amended in its entirety to read as follows:

> 6.5. INVESTMENT OF PROCEEDS. The Issuer shall establish an account at Bankers Trust Company (the "INVESTMENT ACCOUNT") in the name of the Collateral Agent into which each Obligor shall deposit the Net Cash Proceeds received from any Asset Sale (other than Excluded Assets) or any insurance proceeds received by the Issuer under the Mortgages and shall deliver any instruments received in respect of such Asset Sale to the Collateral Agent. The Issuer shall be entitled to apply up to $2,000,000 cumulatively and in the aggregate of amounts held in the Investment Account towards Capital Expenditures in accordance with Section 4.06 of the Indenture. Amounts held in the Investment Account shall be invested by the Collateral Agent (provided that if no Event of Default shall have occurred and be continuing the Collateral Agent shall invest such amounts only at the written direction of such Obligor) in Permitted Investments. Cash in the Investment Account, such instruments and such Permitted Investments shall constitute additional Collateral hereunder. The Collateral Agent shall have no liability whatsoever for any investment loss resulting from investments made at the direction of the Obligors.

Section 3. EFFECTIVENESS. The amendments set forth herein shall become effective upon (i) the execution and delivery of this Amendment No. 2 by the Obligors and the Collateral Agent, as well as any financing statements, officers' certificates or opinions of counsel reasonably requested by the Trustee pursuant to the Security Agreement, the Indenture, or the TIA and (ii) the satisfaction of each of the conditions set forth in Section 3.01 of the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes of even date herewith.

Section 4. MISCELLANEOUS. Except as herein provided, the Security Agreement shall remain unchanged and in full force and effect. Each Obligor hereby certifies that each of the representations and warranties contained in the Security Agreement are true and correct in all material respects as of the date hereof (except to the extent the such representations and warranties solely relate to an earlier date) and each Obligor expressly ratifies and confirms the Security Agreement as amended hereby. The liens, security interests, superior titles, rights, remedies, powers, equities and priorities under the Security Agreement (the "RIGHTS") are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations. Nothing contained herein shall in any manner diminish, impair or extinguish any of the Rights or be construed as a novation in any respect. This Amendment No. 2 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and each of the parties hereto may execute this Amendment No. 2 by signing any such counterpart. In case any provision of this Amendment No. 2 shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The recitals contained herein shall be taken as statements of the Issuer, and the Collateral Agent assumes no responsibility for their correctness. The Collateral Agent makes no representations as to the validity and sufficiency of this Amendment No. 2 or the consents of the Requisite Holders in respect thereof. This Amendment No. 2 shall be governed by, and construed in accordance with, the law of the State of North Carolina without regard to principles of conflicts of law, except to the extent that perfection of the security interest granted by this Amendment No. 2 is governed by a jurisdiction other than the State of North Carolina; PROVIDED, HOWEVER, that to the extent not precluded by the laws of the State of North Carolina, the rights, duties and indemnitees of the Collateral Agent shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed as of the day and year first above written.

LIGGETT GROUP INC.

By

Name:
Title:

EVE HOLDINGS INC.

By

Name:
Title:

BANKERS TRUST COMPANY,
as Collateral Agent,
acting on behalf of the
Secured Creditors

By

Name:
Title:

Exhibit 99.4

COMMITMENT, CONTRIBUTION AND SUBORDINATION AGREEMENT

COMMITMENT, CONTRIBUTION AND SUBORDINATION AGREEMENT, dated as of January 30, 1998 (this "AGREEMENT"), executed by Liggett Group Inc., a Delaware corporation, (the "COMPANY"), Brooke Group Ltd. ("BGL"), a Delaware corporation, and BGLS Inc. ("BGLS"), a Delaware corporation, and Brooke (Overseas) Ltd., a Delaware corporation, ("BOL" and, collectively with BGL and BGLS, the "OBLIGORS") in favor of Bankers Trust Company, a New York banking corporation organized under the laws of the State of New York, acting not in its individual capacity but solely as Trustee under the Indenture (as defined below) and Collateral Agent under the Security Agreement (the "TRUSTEE" or the "COLLATERAL AGENT", as applicable) and the Noteholders.

W I T N E S S E T H:

WHEREAS, LIGGETT GROUP INC., a Delaware corporation (together with its successors and assigns, the "COMPANY") and EVE HOLDINGS INC., a Delaware corporation, as a guarantor thereunder have entered into an Indenture dated as of February 14, 1992 (as at any time amended or supplemented or otherwise modified, the "INDENTURE"; capitalized terms defined in the Indenture and not otherwise defined herein being used as defined therein) with the Trustee; providing for, INTER ALIA, the issuance by the Company of 11.50% Series A Senior Secured Notes Due 1999 (the "SERIES A NOTES"), 11.50% Series B Senior Secured Notes Due 1999 (the "SERIES B NOTES") and Variable Rate Series C Senior Secured Notes Due 1999 (the "SERIES C NOTES" and, together with the Series A Notes and the Series B Notes, the "SENIOR SECURED NOTES");

WHEREAS, the Company desires to enter into a Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, dated as of January 30, 1998 (the "SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT TO NOTES"), to amend the Indenture and the Senior Secured Notes to, among other things, (i) extend the date of the February 1, 1998 mandatory redemption of $37,500,000 aggregate principal amount of Senior Secured Notes, required pursuant to paragraph 2(b)(ii) of the Senior Secured Notes (the "1998 MANDATORY REDEMPTION") and (ii) allow the Company to consummate the Liggett-Ducat Sale (as defined below);

WHEREAS, in connection with the formation of a joint venture or other entity (the "NEW RUSSIAN ENTITY") to finance the construction of a new tobacco factory in Russia by Liggett-Ducat Limited, a Russian joint stock company ("LIGGETT-DUCAT"), the Company intends to transfer to BOL its approximately 19.97% ownership interest in, and options to acquire

additional shares of, Capital Stock of Liggett-Ducat (the "LIGGETT-DUCAT SALE") in consideration of (i) the execution and delivery of this Agreement by the Obligors, (ii) the execution and delivery of the BOL Pledge Agreement by BOL and (iii) the agreement by the Obligors that all intercompany debt owed by Liggett-Ducat to Obligors shall either, at the option of the Obligors, be converted to equity or canceled immediately prior to the consummation of the Liggett-Ducat Sale; and

WHEREAS, in order to induce the Requisite Holders to consent to and the Trustee to enter into the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes the Obligors have agreed to enter into this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the premises and other benefits to the Obligors, the receipt and sufficiency of which are hereby acknowledged, the Obligors hereby agree as follows:

1. INTEREST FUNDING COMMITMENT. In connection with the extension of the 1998 Mandatory Redemption, BGL and BGLS, jointly and severally, agree that, in the event that the Company should fail to pay the interest installment on the Senior Secured Notes due on February 1, 1998 or August 1, 1998 (the "1998 INTEREST PAYMENTS") in full when due, including with respect to the August 1, 1998 installment, the applicable grace period, BGL and BGLS shall, at their option, either (i) arrange for loans to be made to the Company, and, if required by the lender thereof, guaranty the repayment of such loans or (ii) make loans to the Company, all of which loans shall constitute Subordinated Indebtedness, in either case so as to permit the Company to make each such 1998 Interest Payment in full when due, including with respect to the August 1, 1998 installment, the applicable grace period (the "BGL/BGLS COMMITMENT").

2. SUBORDINATION. BGL and BGLS agree that any claim against the Company in connection with any right of repayment, reimbursement, contribution or subrogation of BGL or BGLS against the Company arising out of any of the transactions contemplated hereby or any claim against the Company in connection with the loans or arising out of the guarantee of loans made under the Working Capital Facility in connection with the Company's payment of the August 1, 1997 interest installment, shall be subordinated in all respects to the prior repayment of the Senior Secured Notes in full and the Company shall not be obligated to make any payment in respect thereof until the Senior Secured Notes shall have been repaid in full.

3. LIGGETT-DUCAT SALE; CONTRIBUTION/CANCELLATION OF INDEBTEDNESS. Subject to BOL's execution and delivery of the BOL Pledge Agreement, on the Effective Date (as defined

in the Second Supplemental Indenture and Amendment to Notes) the Company shall transfer to BOL its approximately 19.97% ownership interest in, and options to acquire additional shares of Capital Stock of, Liggett-Ducat. The Obligors hereby covenant and agree that immediately prior to the consummation of the Liggett-Ducat Sale, all Indebtedness owed by Liggett-Ducat to any of the Obligors shall have been either converted to equity or canceled.

4. CONTRIBUTION OF BGL SHARES. On or prior to the Effective Date (as defined in the Second Supplemental Indenture and Amendment to Notes) BGL shall contribute and deliver 482,970 shares of its common stock (together with such additional shares as may be required as a result of rounding requirements set forth in the Supplemental Indenture and Amendment to Notes) to the Company in order to permit the Company to satisfy its obligations under Section 4.01 of the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes. Such shares shall be duly authorized, validly issued, fully paid and non-assessable and delivered to the Company on the Effective Date, free and clear of any Lien created by or through BGL. Pending the distribution of such shares to the Holders in accordance with the Second Supplemental Indenture and Amendment to Notes, the Company shall deliver such shares to the Trustee who shall hold such shares in trust for the benefit of the Holders.

5. WAIVER OF MANAGEMENT FEES. BGL and BGLS hereby waive any right to payments from the Company under the agreements set forth in Section 4.09(iv) of the Indenture in excess of $3,600,000 cumulatively and in the aggregate during any calendar year commencing with January 1, 1998.

6. RIGHTS OF TRUSTEE AND COLLATERAL AGENT. Each of the Obligors agrees that the Trustee shall have the right, in the name of and on behalf of the Company, to enforce its obligations to the Company hereunder and that the Company's rights hereunder shall constitute Collateral under the Security Agreement.

7. REPRESENTATIONS AND WARRANTIES. Each the Obligors represents and warrants to the Trustee, the Collateral Agent and the Noteholders as follows:

(a) the execution and delivery of this Agreement by such Obligor and the performance of its obligations hereunder have been duly authorized by all necessary corporate action on the part of such Obligor and this Agreement has been duly and validly executed and delivered by such Obligor and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(b) the execution and delivery of this Agreement and the performance of its obligations hereunder will not conflict with or result in a breach of, or require any consent under, the charter or by-laws of such Obligor, or any applicable law or regulation, or any order, writ,

injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which such Obligor is a party or by which it is subject or bound or constitute a default under any such agreement or instrument, where such conflict, breach or failure to obtain consent will have a material adverse effect on the transactions contemplated hereby.

8. AMENDMENT. The terms and conditions of this Agreement may be changed, waived, modified or varied only by a writing executed by each of the Obligors and the Trustee.

9. OBLIGATIONS ABSOLUTE. The obligations of each Obligor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Company or any other Obligor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of the Indenture; (c) any amendment to or modification of any agreement or any security for any of the Obligations; whether or not the Obligors shall have notice or knowledge of any of the foregoing or (d) to any right of setoff or any counterclaim.

10. SUCCESSORS. All agreements of the Obligors in this Agreement shall bind their respective successors.

11. SEVERABILITY. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

12. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York without regard to principles of conflicts of law. The parties hereto agree to submit to the jurisdiction of the state and federal courts located in the Borough of Manhattan of the State of New York in any action or proceeding arising out of or relating to this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

LIGGETT GROUP INC.

By:

Name:
Title:

BROOKE GROUP LTD.

By:

Name:
Title:

BGLS INC.

By:

Name:
Title:

BROOKE (OVERSEAS) LTD.

By:

Name:
Title:

ACKNOWLEDGED AND AGREED:

BANKERS TRUST COMPANY, as
Trustee and Collateral Agent

By:

Name:
Title:

EXHIBIT 99.5

REGISTRATION RIGHTS AGREEMENT

Brooke Group Ltd.

REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT") dated as of January 30, 1998 among Brooke Group Ltd., a Delaware corporation ("BROOKE"), and the holders of record of the Shares described below who have either executed a Consent (as defined in Section 6.9) or who have opted into this Agreement in accordance with Section 6.9 below (the "APPLICABLE HOLDERS").

RECITALS

A. The Applicable Holders are owners of up to an aggregate of 482,970 shares (together with any additional shares issued as a result of rounding requirements) of common stock of Brooke, $0.10 par value per share, (such shares owned by the Applicable Holders are referred to herein as the "SHARES"), which Shares were distributed to the holders (the "HOLDERS") of the Series B and Series C Senior Secured Notes (the "NOTES") issued pursuant to the Indenture dated as of February 14, 1992, as supplemented and amended by the First Supplemental Indenture, dated as of January 26, 1994, and the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, dated as of January 30, 1998 (the "SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT TO NOTES"), among Liggett Group Inc., Eve Holdings Inc. and Bankers Trust Company (as supplemented and amended and in effect from time to time, the "INDENTURE").

B. On the terms and subject to the conditions set forth herein, Brooke and the Applicable Holders desire that Brooke use its reasonable best efforts to file, by February 12, 1998, with the SEC a Registration Statement to register the resale of the Shares by the Applicable Holders.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and agreements set forth herein, and intending to be legally bound, the parties hereto hereby agree as follows:

II.

DEFINITIONS AND USAGE

II. A. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Effectiveness Period" has the meaning set forth in Section 2.2.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Indenture" has the meaning set forth in the Preamble.

"Losses" has the meaning set forth in Section 4.1.

"Majority Holders" means holders of at least 60% of the Registrable Securities as of the time of determination.

"Notes" has the meaning set forth in the Preamble.

"Person" or "person" means an individual, trustee, corporation, limited liability company, partnership, joint stock company, trust, unincorporated association, union, business association, firm or other entity.

"Preliminary Prospectus" means any preliminary prospectus that may be included in any Registration Statement.

"Prospectus" means the prospectus included in or related to any Registration Statement (including a prospectus that includes any information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means collectively the Shares plus any additional shares of common stock of Brooke paid in respect of Liquidated Damages under Section 2.5 hereof. However, a Share or any such additional share, as applicable, will cease to be a Registrable Security when it (i) is sold in an open market transaction or in an underwritten public offering, (ii) is sold to any person other than an "affiliate" of Brooke (as defined under the Regulations) pursuant to a Registration Statement, (iii) is eligible for resale without restriction pursuant to Rule 144(k) of the Regulations or any similar rule or regulation hereafter adopted by the SEC or (iv) ceases to be outstanding.

"Registration Statement" means any registration statement of Brooke under the Securities Act that covers any of the Registrable Securities, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement

and all material deemed part of such registration statement by Rule 430A of the Regulations.

"Regulations" means the regulations of the SEC under the Securities Act.

"Rule 415" means Rule 415 of the Regulations or any similar rule or regulation hereafter adopted by the SEC.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Selling Majority Holders" means holders of at least 60% of the Registrable Securities then being offered pursuant to a Registration Statement.

"Shares" has the meaning set forth in the Preamble.

"Shelf Registration" has the meaning set forth in Section 2.2.

"Underwritten registration" or "underwritten offering" means a registration in which securities of Brooke are sold to one or more underwriters or group or a syndicate of underwriters for offering to the public.

II. B. Usage.

a. References to Articles, Sections and Exhibits are to articles and sections hereof and exhibits hereto, references to a Person are also references to its successors and assigns, references to a document are to it as amended, waived and otherwise modified from time to time, and references to a statute or another governmental rule are to it as amended and otherwise modified from time to time. The definitions set forth in Section 1.1 are equally applicable both to the singular and plural forms and the feminine, masculine and neuter forms of the terms defined. "Including" and correlative terms shall be deemed to be followed by "without limitation," if not followed by such words or words of like import. The headings of Articles and Sections and the table of contents relating hereto have been included solely for convenience of references and shall not have any effect on the construction hereof.

b. This Agreement contemplates the filing of registration statements under the Securities Act involving various offers and sales of securities. In connection with such registration statements, there may be identified therein one or more underwriters through which securities are to be offered pursuant to either a "firm commitment" or "best-efforts" arrangement, and, in the case where there is more than one underwriter, one or more of the underwriters may be designated as the "manager" or "representative" or the "co-managers" or "representatives" of the several underwriters. Accordingly, all references herein to an "underwriter" or the

"underwriters" are intended to refer to a "principal underwriter" (as defined in Rule 405 of the Regulations) and to provide for those transactions in which securities may be offered by or through one or more underwriters, and not to imply that any of the transactions contemplated hereby is conditioned in any manner whatsoever on the participation therein by one or more underwriters on behalf of any party.

III.

REGISTRATION OF REGISTRABLE SECURITIES UNDER SECURITIES ACT

III. A. Required Registration of Registrable Securities. Brooke shall use its reasonable best efforts to register the Registrable Securities upon the terms, and subject to the limitations and conditions, hereinafter set forth.

III. B. Shelf Registration. On or before February 12, 1998, Brooke shall prepare and file with the SEC a Registration Statement on Form S-3 (or if Form S-3 is unavailable, shall file a Registration Statement on Form S-1 as soon as practicable after the date hereof) for an offering to be made by the Applicable Holders on a continuous basis under Rule 415 covering all the Registrable Securities (the "Shelf Registration"). Brooke shall use its reasonable best efforts to cause the Shelf Registration to be declared effective under the Securities Act by May 31, 1998 and to keep the Shelf Registration continuously effective and the Prospectus current under the Securities Act during the period (the "Effectiveness Period") ending on the earliest date on which (x) the Registration Statement has been effective for an aggregate of two (2) years, (y) all Registrable Securities have been sold other than to an Applicable Holder, or (z) in the opinion of Milbank, Tweed, Hadley & McCloy or other nationally recognized counsel to Brooke reasonably acceptable to the Majority Holders, which opinion shall be reasonably satisfactory in form, scope and substance to the Majority Holders, registration of the Registrable Securities is no longer required under the Securities Act for the Applicable Holders to sell all remaining Registrable Securities in the open market without limitations as to volume or manner of sale and without being required to file any forms or reports with the SEC under the Securities Act or the Regulations other than a notice of sale under Rule 144 under the Regulations. No holder of Registrable Securities may include any of its Registrable Securities in any Shelf Registration pursuant to this Agreement unless and until such holder furnishes to Brooke in writing such information as Brooke may reasonably request. Notwithstanding the foregoing, Brooke shall not be required to file the Shelf Registration or have it declared or remain effective during any period in which Brooke is not permitted by the Regulations to use a Form S-3 or Form S-1 Registration Statement for the registration of the resale of Registrable Securities.

Subject to Section 2.3.1(q), Brooke shall promptly supplement and amend the Registration Statement and the Prospectus (i) if required by the Regulations or the instructions applicable to the registration form used for the Shelf Registration, (ii) if required by the Securities Act or the Regulations, (iii) if required to prevent the Registration Statement or the Prospectus from containing any material misstatement or omitting to state a material fact

required to be stated therein or necessary to make the statements therein not misleading, or (iv) if reasonably requested by the Majority Holders.

III. C. Registration Procedures.

III. C. 1. Shelf Registration. In connection with a Shelf Registration, Brooke shall use its reasonable best efforts to effect such registration to permit the sale of Registrable Securities in accordance with the method or methods of disposition reasonably intended by the Selling Majority Holders, and pursuant thereto Brooke shall:

a. FILING OF REGISTRATION STATEMENT. Before filing any Registration Statement or Prospectus or any amendments or supplements thereto, furnish to and afford the Applicable Holders of the Registrable Securities covered by such Registration Statement, and the managing underwriters, if any, a reasonable opportunity to review and, if they desire, comment on all such documents (including any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed.

b. COMPLIANCE WITH LAW. Comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to it with respect to the disposition of all Registrable Securities covered by such Registration Statement as amended or by such Prospectus as supplemented.

c. NOTICE. Notify the Applicable Holders owning Registrable Securities covered by the Registration Statement, and the managing underwriters, if any, promptly, and confirm such notice in writing (i) when a Registration Statement and an amendment thereto or a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective (including in such notice a written statement that any such Applicable Holder may, upon request, obtain, without charge, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus, the initiation of any proceedings for that purpose or any other communication between the SEC and Brooke or their representatives related to a Shelf Registration, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities, the representations and warranties of Brooke contained in any agreement (including any underwriting agreement) contemplated by Section 2.3.1(m) cease to be true and correct, (iv) of the receipt by Brooke of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event or any information

becoming known that requires the making of any changes in such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of Brooke's determination that a post-effective amendment to a Registration Statement would be necessary or advisable under applicable law.

d. PREVENT SUSPENSION OF EFFECTIVENESS. Use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Securities for offers or sales in any jurisdiction, and, if any such order is issued, use its reasonable best efforts to obtain the withdrawal of any such order at the earliest possible moment.

e. UNDERWRITTEN OFFERING. If the Registrable Securities are to be sold in an underwritten offering, (i) as promptly as is reasonably practicable incorporate in a prospectus supplement or post-effective amendment to the Registration Statement such information as is required by the Securities Act, Regulation S-K of the Regulations, the Regulations and instructions applicable to the registration form used for such Registration Statement to be disclosed concerning, among other things, the terms of the underwritten offering, the underwriters, and the plan of distribution and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable.

f. COPIES OF FILINGS. Furnish to the Applicable Holders owning Registrable Securities that so request, and each managing underwriter, if any, without charge, one conformed copy of the Registration Statement and each post-effective amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

g. DELIVERY OF PROSPECTUS. Deliver to the Applicable Holders owning Registrable Securities, and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Preliminary Prospectus) and each amendment or supplement thereto and any documents incorporated or deemed to be incorporated by reference therein as such Persons may reasonably request; and Brooke hereby consents to the use of each such Prospectus and Preliminary Prospectus and each amendment or supplement thereto by each of the selling Applicable Holders and the underwriters or agents, if any, and dealers, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto in the manner set forth in the relevant Registration Statement.

h. BLUE SKY LAWS. Use its reasonable best efforts to register or qualify, and to cooperate with the selling Applicable Holders with respect to the Registrable Securities, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as the Selling Majority Holders or the managing underwriters, if any, reasonably request in writing; keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period; and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement in the manner set forth in such Registration Statement; PROVIDED, HOWEVER, that Brooke shall not be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) subject itself to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in a material amount in any such jurisdiction.

i. CERTIFICATES. Cooperate with the selling Applicable Holders with respect to Registrable Securities and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, or such Applicable Holders may reasonably request.

j. GOVERNMENTAL AGENCIES. Use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies, or authorities as may be necessary to enable the selling Applicable Holders thereof or the underwriters, if any, to consummate the disposition of such Registrable Securities in the manner set forth in such Registration Statement, except as may be required solely as a consequence of the nature of such Applicable Holders' business, in which case Brooke will cooperate in all reasonable respects with the filing of such Registration Statements and the granting of such approvals.

k. AMENDMENTS AND SUPPLEMENTS. Subject to Sections 2.3.1(a) and 2.3.1(q), upon the occurrence of any event contemplated by Section 2.3.1(c)(v) or 2.3.1(c)(vi), as promptly as practicable prepare and file with the SEC a post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of Registrable Securities being sold thereunder, the Registration Statement and such Prospectus will not contain an untrue statement of a material fact or omit to state 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.

l. LISTING ON SECURITIES EXCHANGES. Use its reasonable best efforts to cause all Registrable Securities covered by a Registration Statement to be (i) listed on each national securities exchange, if any, on which Registrable Securities are then listed, or (ii) authorized to be quoted on the NASDAQ Stock Market or the NASDAQ National Market if similar securities of Brooke are so authorized.

m. UNDERWRITING AGREEMENT. In connection with an underwritten offering of Registrable Securities, enter into and perform its obligations under an underwriting agreement in customary form for underwritten offerings made by selling security holders on the registration form utilized for the relevant Registration Statement and take such other actions as are reasonably requested by the managing underwriters in order to expedite or facilitate the registration and the disposition of such Registrable Securities, and in such connection, (i) make such representations and warranties to the underwriters with respect to the business of Brooke and its subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein in each case as are customarily made by comparable issuers to underwriters in underwritten offerings made by selling security holders, and confirm the same if and when requested; (ii) obtain opinions of counsel to Brooke and updates thereof (which counsel and opinions shall be reasonably satisfactory to the managing underwriters and the Selling Majority Holders), addressed to the underwriters covering the matters customarily covered in opinions requested in underwritten offerings by selling security holders; (iii) obtain "cold comfort" letters and updates thereof (which letters and updates shall be reasonably satisfactory to the managing underwriters and the Selling Majority Holders) from the independent certified public accountants of Brooke (and, if necessary, any other independent certified public accountants of any subsidiary of Brooke or of any business acquired by Brooke for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each of the underwriters and the holders of Registrable Securities included in such underwritten offering (to the extent such accountants are permitted under applicable law and accounting literature so to address "cold comfort" letters), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings by selling security holders; and (iv) if an underwriting agreement is entered into, undertake such indemnification and contribution provisions and procedures as are customarily undertaken in such agreements. The above shall be done in connection with each closing under such underwriting agreement, or as and to the extent required thereunder.

n. FINANCIAL RECORDS, ETC. Make available for inspection by any selling Applicable Holder, any underwriter participating in any such disposition of Registrable Securities, and any attorney, accountant or other agent retained by any such selling

Applicable Holder or underwriter (collectively, the "INSPECTORS"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of Brooke and its subsidiaries (collectively, the "RECORDS") as shall be necessary or advisable to enable them to exercise their due diligence responsibilities, and cause the officers, directors and employees of Brooke and its subsidiaries to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement. Records which Brooke determines, in good faith, to be confidential and as to which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) the information in such Records has been made generally available to the public. Except as contemplated hereby, and subject to applicable law, each selling Applicable Holder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of Brooke or its affiliates unless and until such information is made generally available to the public. Each Applicable Holder shall not be prohibited from engaging in market transactions if such information is not material, to the extent permitted by applicable law. Each Applicable Holder further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to Brooke and allow Brooke at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential.

o. EARNINGS STATEMENTS. Comply with all applicable rules and regulations of the SEC relating to the Shelf Registration and make generally available earnings statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of Brooke after the effective date of a Registration Statement which statements shall cover such 12-month periods.

p. NASD. Cooperate with each holder of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

q. POSTPONEMENT OR SUSPENSION OF SHELF REGISTRATION. Notwithstanding anything contained in this Section 2, Brooke may postpone, for a period of not in excess of 60 days in the aggregate in any twelve month period, taking any action with respect to

or suspend the Shelf Registration if, in the good faith opinion of Brooke's board of directors, effecting or continuing the Shelf Registration would adversely affect a material financing, acquisition, disposition of assets or stock, merger or other comparable transaction or would require Brooke to make public disclosure of information the public disclosure of which would have a material adverse effect upon Brooke.

r. DELIVERY OF OPINION. Upon the filing of any Registration Statement, deliver to the selling Applicable Holders an opinion or opinions of outside counsel to Brooke (which counsel shall be reasonably satisfactory to the Selling Majority Holders), to the effect that nothing has come to the attention of such counsel that causes such counsel to believe that such Registration Statement contains, as of its effective date, any untrue statement of a material fact necessary to make the statements therein not misleading, it being understood that any such opinion may contain customary limitations thereof.

s. FURTHER ASSURANCES. Use its reasonable best efforts to take all other steps necessary or advisable, requested by the Majority Holders, to effect the registration and distribution of the Registrable Securities covered by the Registration Statement contemplated hereby.

III. C. 2. Applicable Holder Covenants. Each Applicable Holder agrees by acceptance of the Registrable Securities that:

(a) upon receipt of any notice from Brooke of the happening of any event of the kind described in clause (ii), (iv), (v) or (vi) of Section 2.3.1(c), such Applicable Holder shall forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Applicable Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.3.1(k), or until it is advised in writing by Brooke that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto;

(b) such Applicable Holder shall promptly furnish to Brooke in writing, upon Brooke's reasonable request, any and all information as to such Applicable Holder and its plan of distribution as may be necessary to comply with the provisions of the Securities Act, the Regulations, the Exchange Act and with the rules and regulations of the SEC thereunder in connection with the preparation and filing of any Registration Statement pursuant hereto, or any amendment or supplement thereto, or any Preliminary Prospectus or Prospectus included therein; and

(c) all information to be furnished to Brooke by or on behalf of such Applicable Holder expressly for use in connection with the preparation of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement

thereto, will not include any untrue statement of a material fact required to be stated therein or necessary to make the statements therein not misleading.

III. D. Qualifications to Registration Obligations. Notwithstanding anything in this Agreement to the contrary, if a Registration Statement does not become effective after Brooke has filed it solely by reason of a written request not to proceed made by the Majority Holders, Brooke's obligations to file such Registration Statement and attempt to cause it to become effective shall be deemed completely satisfied and discharged to the extent of such request.

III. E. Liquidated Damages. Brooke agrees that the Applicable Holders holding Registrable Securities will suffer damages if Brooke fails to fulfill its obligations under Sections 2.1 and 2.2 and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, (i) if Brooke does not cause the Shelf Registration to be made effective by May 31, 1998, then liquidated damages ("Liquidated Damages") shall accrue on and attach to each Registrable Security at the Daily Rate for each day until the Shelf Registration is effective or (ii) if Brooke fails to maintain the effectiveness of the Shelf Registration on any day during the Effectiveness Period, Liquidated Damages shall accrue on and attach to the Registrable Securities at the Daily Rate for each day until the Shelf Registration or a substitute thereof is effective; provided, however, that the number of days on which Liquidated Damages shall accrue on any Registrable Securities shall not exceed 300 days in the aggregate; provided, further, however, Liquidated Damages shall not accrue on the Registrable Securities on any day in which Brooke is not required to maintain an effective Registration Statement with respect to the Registrable Security pursuant to the provisions of this Article II. For purposes hereof, "Daily Rate" shall be equal to $0.0499476 per day per share of Registrable Security. The Daily Rate shall be equitably adjusted in the event the Registrable Shares are combined or subdivided or similar corporate action is taken by Brooke.

Liquidated Damages on each Registrable Security shall be payable, at the option of Brooke, either (i) in cash; (ii) in shares of common stock of Brooke, par value $0.10 per share, which shares shall be valued based on the closing sales price of such common stock on the last trading day of the month immediately prior to the month in which any such shares are issued pursuant to this paragraph, as reported on the New York Stock Exchange, Inc. Composite Tape and published in the Wall Street Journal, or (iii) in a combination of (i) and (ii). All Liquidated Damages accruing during any calendar month shall be paid on the first day of the month immediately following the calendar month in which such Liquidated Damages accrued (or if such date is a Saturday, Sunday or a day in which banks in New York are authorized to close, the next subsequent day which is not a Saturday, Sunday or day in which banks in New York are authorized to close) to holders of record of the Registrable Securities as they appear on the stock transfer books of Brooke on the 15th day of the calendar month in which such Liquidated Damages accrued.

Notwithstanding the foregoing, Liquidated Damages will not be required to be paid in respect of Registrable Securities if the applicable default under the foregoing paragraphs of this Section 2.5 arises from the failure of Brooke to either cause to become effective or to maintain the effectiveness of, as applicable, a Shelf Registration primarily by reason of the failure of an Applicable Holder to provide such information as (i) Brooke reasonably requests, with reasonable prior written notice, for use in such Shelf Registration pursuant to the provisions of Section 2.3.2. or (ii) the SEC or NASD may request in connection with such Shelf Registration.

IV.

REGISTRATION EXPENSES

All reasonable fees and expenses incident to the performance of or compliance with this Agreement by Brooke shall be borne by Brooke, whether or not a Shelf Registration is filed or becomes effective, including (i) all registration and filing fees (including (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel for Brooke or the underwriters, or both, in connection with Blue Sky qualifications of the Registrable Securities)), (ii) printing expenses (including expenses of printing certificates for Registrable Securities, printing and distributing Prospectuses, Preliminary Prospectuses and amendments or supplements thereto, the Registration Statement and amendments thereto, and printing or preparing any underwriting agreement, agreement among underwriters and related syndicate or selling group agreements, pricing agreements and Blue Sky memoranda), (iii) fees and disbursements of counsel for Brooke, (iv) fees and disbursements of all independent certified public accountants for Brooke (including the expenses of any "cold comfort" letters required by or incident to such performance), (v) Securities Act liability insurance, if Brooke so desires such insurance, (vi) internal expenses of Brooke (including all salaries and expenses of officers and employees of Brooke performing legal or accounting duties), (vii) the fees and expenses incurred in connection with the listing of the securities to be registered and any national securities exchange or quoted on the NASDAQ Stock Market or the NASDAQ National Market pursuant to section 2.3.1(1), and (viii) the fees and expenses of any Person, including special experts, retained by Brooke in its sole discretion.

Each Applicable Holder owning Registrable Securities shall pay (i) all underwriting discounts and commissions or broker's commissions incurred in connection with the sale or other disposition of Registrable Securities for or on behalf of such Applicable Holder's account and (ii) all fees and disbursements of legal counsel for such Applicable Holder or any underwriter.

V.

INDEMNIFICATION

V. A. Indemnification by Brooke. Brooke shall indemnify and hold harmless, to the fullest extent permitted by law, each Applicable Holder and its affiliates and any investment funds managed thereby and their respective shareholders, partners, officers, directors, agents and employees, each Person who controls such Applicable Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the shareholders, partners, officers, directors, agents and employees of each such controlling person, (individually, an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, costs (including costs of investigating, preparing to defend, defending and appearing as a third-party witness and attorneys' fees and disbursements reasonably incurred) and expenses including any amounts paid in respect of any settlements (collectively, "Losses"), without duplication, as incurred, arising out

of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplements thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereto, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except (i), in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in writing to Brooke by such Indemnified Person (or the person controlling such Indemnified Person) expressly for use therein, (ii) to the extent such Losses result from the failure of such Applicable Holder or any underwriter in an underwritten offering to provide to any person purchasing Registrable Securities from it any supplement to a Prospectus provided by Brooke pursuant to Section 2.3.1(g), or (iii) to the extent such Losses result from the sale of Registrable Securities by such Applicable Holder or underwriter in an underwritten offering (a) under a Registration Statement or (b) using any Prospectus, other than a Registration Statement or a Prospectus, as the case may be, amended or supplemented by Brooke pursuant to Section 2.3.1(k) and provided to such Applicable Holder or such underwriter pursuant to Section 2.3.1(g), after Brooke shall have notified such Applicable Holder or such underwriter in an underwritten offering in writing of any event contemplated by Section 2.3.1.(c)(v) or 2.3.1(c)(vi) pursuant to Section 2.3.1(c).

V. B. Indemnification by Applicable Holder. In connection with any Registration Statement in which an Applicable Holder is participating, such Applicable Holder shall indemnify and hold harmless, to the fullest extent permitted by law, Brooke and its shareholders, directors, officers, agents and employees, each Person who controls Brooke (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the shareholders, directors, officers, agents or employees of such controlling person, from and against, any and all Losses, joint or several, without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplement thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereon, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact necessary to make the statements therein, in the light of the circumstances under the statements therein, in the light of the circumstances under which they were made, not misleading; in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in

writing to Brooke by such Applicable Holder expressly for use therein by notice referring to this Section 4.2.

V. C. Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity or contribution hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party or parties from which such indemnity or contribution is sought (the "indemnifying parties") of the commencement of any action or proceeding (including any governmental investigation) (collectively "Proceedings" and individually a "Proceeding") with respect to which such indemnification or contribution is sought pursuant hereto; provided, however, that the failure so to notify the indemnifying parties shall not relieve the indemnifying parties from any obligation or liability except to the extent that the indemnifying parties have been actually prejudiced by such failure. The indemnifying parties shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such Proceeding, to assume, at the indemnifying parties' expense, the defense of any such Proceeding, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such Proceeding; provided, however, that an indemnified party or parties (if more than one such indemnified party is named in any Proceeding) shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless: (i) the indemnifying party or parties agree to pay such fees and expenses; or (ii) the indemnifying parties fail promptly to assume the defense of such Proceeding or fail to employ counsel reasonably satisfactory to such indemnified party or parties; or (iii) counsel for the indemnified party (which counsel shall be reasonably satisfactory to the indemnifying party) determines that one counsel may not properly represent both the indemnifying party and such indemnified party in which case, if such indemnified party or parties notifies the indemnifying parties in writing that it elects to employ separate counsel at the expense of the indemnifying parties, the indemnifying parties shall not have the right to assume the defense thereof and the fees and expenses of counsel retained by the indemnified party or parties shall be at the expense of the indemnifying parties, it being understood, however, that the indemnifying parties shall not, in connection with any one such Proceeding, arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for such indemnified party or parties. Whether or not such defense is assumed by the indemnifying parties, such indemnifying parties will not be subject to any liability for any settlement made without its or their consent (but such consent will not be unreasonably withheld). No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, but if settled with its written consent each indemnifying party jointly and severally agrees, subject to the exception and limitations set forth above, to indemnify and hold harmless each indemnified party from and against any Losses by reason of such settlement.

V. D. Contribution. If the indemnification provided for in this Article 4 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless for any Losses

in respect to which this Article 4 would otherwise apply by its terms, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have an obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any Proceeding, to the extent such party would have been indemnified for such expenses if the applicable indemnification provided for in Section 4.1 or 4.2 were available to such party.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

V. E. Remedies Cumulative. The indemnity, contribution and expense reimbursement obligations under this Article 4 shall be in addition to any liability that each indemnifying person may otherwise have and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party. Notwithstanding anything in this Agreement to the contrary, an indemnified party shall not be entitled to receive duplicate indemnification or contribution for the same Losses (except to the extent they are incurred more than once).

VI.

UNDERWRITTEN REGISTRATION

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Majority Holders with the consent of Brooke (not to be unreasonably withheld or delayed).

VII.
MISCELLANEOUS

VII. A. Remedies. No failure or delay on the part of a party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

VII. B. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless Brooke has obtained the written consent of the Majority Holders. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of the Applicable Holders that are selling securities pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of the other Applicable Holder may be given by the Selling Majority Holders; provided, however, that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

VII. C. Notices. All notices, consents and other communications provided for hereunder shall be in writing (including facsimile, telegraphic or cable communication) and telecopied, telegraphed, telexed, cabled or delivered (x)(i) if to Brooke, to Brooke Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, attention: Bennett S. LeBow, telecopy (305) 579-8001, with a copy to Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, New York 10005, attention: Mark L. Weissler, Esq., telecopy (212) 530-5219, and (ii) if to a Applicable Holder, to the address and telecopier number set forth in the records of Brooke, with a copy to the Company at the address set forth above, or (y) at such other address as shall be designated by any such party in a written notice to the other parties. All such notices, consents and communications shall be effective when received.

VII. D. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

VII. E. Entire Agreement; No Third Party Beneficiaries; Obligations of Brooke. This Agreement (including the documents and the instruments expressly referred to herein or therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (ii) except as expressly set forth in Article 4 or in Section 6.8, is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder. The obligations of Brooke pursuant hereto shall be limited to those obligations of Brooke expressly set forth herein.

VII. F. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law. The parties hereto hereby agree to submit to the jurisdiction of the state and federal courts located in

the Borough of Manhattan, New York City, New York, in any action or proceeding arising out of or in relation to this Agreement.

VII. G. Severability. Wherever possible, each provision hereof shall be interpreted in such a manner as to be valid, legal and enforceable under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating or rendering unenforceable the remainder of this Agreement, unless such a construction would be unreasonable or materially impair the rights of any party hereto.

VII. H. Assignment. 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, except by an Applicable Holder as follows: in connection with the transfer of its Registrable Securities in whole or in part to another Person; provided that the transferee executes an appropriate document agreeing to be bound hereby as an Applicable Holder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

VII. I. Applicable Holders' Consents and Opting-In. For the purposes of this Agreement, any Holder or former Holder who either (i) executes and delivers a consent to the Second Supplemental Indenture and Amendment to Notes, in the form of the consent letter dated January 30, 1998 by Liggett Group Inc. (a "Consent") or (ii) informs Brooke in writing by May 1, 1998 in such form as is reasonably acceptable to Brooke that such Holder chooses to opt into this Agreement and be bound by all the terms hereof, shall be deemed, in either case of (i) or (ii), to be a party to this Agreement and an Applicable Holder hereunder as of the date of receipt of such Consent or opt-in notice, as applicable. Brooke shall maintain a list of Applicable Holders and update such list from time to time throughout the term of this Agreement. Each Applicable Holder agrees to the addition of Applicable Holders pursuant to the foregoing.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date first written above.

"Brooke"

Brooke Group Ltd.,
a Delaware corporation

By: ----------

Its: ----------

EXHIBIT 99.6

PLEDGE AGREEMENT

DATED AS OF JANUARY 30, 1998

AMONG

BROOKE (OVERSEAS) LTD.

AND

BANKERS TRUST COMPANY,
AS COLLATERAL AGENT
FOR THE HOLDERS OF THE

11.50% SERIES B SENIOR SECURED NOTES DUE 1999,

AND

VARIABLE RATE SERIES C SENIOR SECURED NOTES DUE 1999

TABLE OF CONTENTS

Page

PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of January 30, 1998, by and between BROOKE (OVERSEAS) LTD., a Delaware corporation (together with its successors and assigns, the "PLEDGOR") and BANKERS TRUST COMPANY, acting not in its individual capacity but solely as collateral agent hereunder (in such capacity, and together with any successors in such capacity, the "COLLATERAL AGENT").

W I T N E S S E T H:

WHEREAS, LIGGETT GROUP INC., a Delaware corporation (together with its successors and assigns, the "ISSUER") and EVE HOLDINGS INC., a Delaware corporation, as a guarantor thereunder (the "GUARANTOR") have entered into an Indenture dated as of February 14, 1992 (as at any time amended or supplemented or otherwise modified, the "INDENTURE"; capitalized terms defined in the Indenture and not otherwise defined herein being used as defined therein) with Bankers Trust Company, acting not in its individual capacity,but solely as trustee thereunder (in such capacity, the "TRUSTEE"), providing for, INTER ALIA, the issuance by the Issuer of 11.50% Series A Senior Secured Notes Due 1999 (the "SERIES A NOTES"), 11.50% Series B Senior Secured Notes Due 1999 (the "SERIES B NOTES") and Variable Rate Series C Senior Secured Notes Due 1999 (the "SERIES C NOTES" and, together with the Series A Notes and the Series B Notes, the "NOTES");

WHEREAS, in connection with the formation of a joint venture or other entity (the "NEW RUSSIAN ENTITY") to finance the construction of a new tobacco factory in Russia by Liggett-Ducat Limited, a Russian joint stock company ("LIGGETT-DUCAT"), the Issuer intends to transfer its approximately 19.97% ownership interest in, and options to acquire additional shares of, Capital Stock of Liggett-Ducat (the "LIGGETT-DUCAT SALE") to the Pledgor, which interest is subject to the Lien of the Collateral Agent; and

WHEREAS, the Issuer desires to amend the Senior Secured Notes and the Indenture to, among other things, allow the Liggett-Ducat Sale and extend the date of the February 1, 1998 mandatory redemption of $37,500,000 aggregate principal amount of Senior Secured Notes, required pursuant to paragraph 2(b)(ii) of the Senior Secured Notes; and

WHEREAS, in order to induce the Requisite Holders to consent to the Second Supplemental Indenture and Amendment to Series B and Series C Senior Secured Notes, the

Pledgor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined), as provided for herein.

NOW, THEREFORE, in consideration of the premises and other benefits to the Pledgor, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby makes the following representations and warranties and hereby covenants and agrees as follows:

ARTICLE I

SECURITY INTERESTS

1.1 GRANT OF SECURITY INTEREST. As collateral security for the prompt and complete payment and performance when due of the Obligations, the Pledgor does hereby grant to the Collateral Agent for the ratable benefit of the Secured Creditors a continuing interest in all of the right, title and interest of the Pledgor in, to and under the Pledged Stock.

1.2 SUBSTITUTION OF PLEDGED STOCK. In connection with the formation of the New Russian Entity, the Pledgor will contribute all of its interest in Liggett-Ducat, including the Pledged Stock, to the New Russian Entity in exchange for an ownership interest in the New Russian Entity. Upon the formation of the New Russian Entity and the contribution of the Pledged Stock thereto, the Collateral Agent agrees that the Pledged Stock shall be released by the Collateral Agent contemporaneously with the Pledgor's pledge and deposit of interests of the Pledgor in the New Russian Entity in an amount not less than 16% of the total interests in the New Russian Entity, which interest shall constitute the Pledged Stock thereafter.

1.3 SUBSTITUTION OF CASH COLLATERAL. The Pledgor may, upon the occurrence of an Event of Default and a demand for registration pursuant to Section 4.3, substitute for the Pledged Stock cash collateral in an amount equal to the fair market value of the Pledged Stock determined as follows (any such determination, an "APPRAISAL"):

(a) The Pledgor shall retain, at its own expense, an appraiser (the "PLEDGOR'S APPRAISER") who shall assign a fair market value to the Pledged Stock. If the Collateral Agent is notified by the Requisite Holders that they agree with the fair market value determined by the Pledgor's Appraiser, such market value shall be deemed conclusive.

(b) In the event that the Collateral Agent is notified by the Requisite Holders that they do not agree with the fair market value determined by the Pledgor's Appraiser, the Collateral Agent shall retain, at the sole expense of the Pledgor an appraiser (the

"COLLATERAL AGENT'S APPRAISER") who shall assign a fair market value to the Pledged Stock. In the event that the fair market value determined by the Collateral Agent's Appraiser differs from the previously assessed fair market value by a margin of 15% or less, the fair market value of the Pledged Stock shall be deemed to be the average of the two appraisals.

(c) In the event that the fair market value determined by the Collateral Agent's Appraiser differs from the previously assessed fair market value by a margin of greater than 15%, then the Pledgor's Appraiser and the Collateral Agent's Appraiser shall retain, at the sole expense of the Pledgor, a third appraiser whose determination of the fair market value of the Pledged Stock shall be conclusive.

Upon the Collateral Agent's receipt of cash collateral in the amount of the fair market value of the Pledged Stock as determined above, the Collateral Agent shall release the Pledged Stock to the Pledgor without any further action being required by the Pledgor. The cash collateral shall be deposited in the Proceeds Cash Collateral Account and maintained therein in accordance with Section 4.4.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Pledgor represents, warrants and covenants, as follows:

2.1 NECESSARY FILINGS. All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by the Pledgor to the Collateral Agent hereby in respect of the Collateral of the Pledgor have been accomplished and upon delivery of the Pledged Stock to the Collateral Agent, the security interest granted to the Collateral Agent pursuant to this Pledge Agreement in and to the Collateral constitutes a perfected security interest therein superior and prior to the rights of all other Persons and subject to no Liens (other than restrictions not affecting the perfection or priority of the Lien of the Collateral Agent).

2.2 NO LIENS. The Pledgor is the owner of all the Collateral free from any Lien (other than restrictions not affecting the perfection or priority of the Lien of the Collateral Agent), and the Pledgor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent.

2.3 FINANCING STATEMENTS. There is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral of the Pledgor in the jurisdictions in which the Collateral is located and so long as the Obligations remain unpaid, the Pledgor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to such Collateral except financing statements (or similar statement or instrument of registration under the law of any jurisdiction) filed or to be filed in respect of and covering the security interests granted hereby by the Pledgor.

2.4 CHIEF EXECUTIVE OFFICE. The chief executive office of the Pledgor is located at 100 S.E. Second Street, 32nd Floor, Miami, Florida, 33131. The Pledgor will not move its chief executive office until (a) it shall have given to the Collateral Agent not less than thirty (30) days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (b) with respect to such new location, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby (including the priority thereof) at all times fully perfected and in full force and effect (except with respect to Collateral in which a security interest may not be perfected by filings or as to which filings are not necessary to achieve perfection).

2.5 INTERCOMPANY INDEBTEDNESS. As of the date hereof, Liggett-Ducat has no outstanding Indebtedness to the Pledgor, BGL or BGLS.

2.6 DELIVERY OF NOTICE OF PLEDGE OF STOCK; NEW RUSSIAN ENTITY. As soon as is practicable following the execution of this Agreement the Pledgor shall (i) deliver notice to Liggett-Ducat, substantially in the form set forth in Annex 2 hereof, of the Lien on the Pledged Stock granted hereby and (ii) cause Liggett-Ducat to deliver to the Collateral Agent a confirmation of such notice, substantially in the form set forth in Annex 3 hereof.

2.7 OWNERSHIP OF LIGGETT-DUCAT; RUSSIAN ENTITY. It owns more than 50% of the Capital Stock of Liggett-Ducat and covenants that it shall continue to own more than 50% of such Capital Stock or, in the event of a substitution of interests in the New Russian Entity under Section 1.2 hereof, shall own and shall continue to own more than 50% of all outstanding interests in the New Russian Entity. Upon such a substitution, all references herein to "Liggett-Ducat" shall be deemed to refer to the New Russian Entity and Secured Creditors shall have all the rights and remedies with respect to such interests as are conferred hereunder with respect to the Capital Stock of Liggett-Ducat.

ARTICLE III

PROVISIONS CONCERNING COLLATERAL

3.1 PROTECTION OF COLLATERIAL AGENT'S SECURITY. The Pledgor will do nothing to, and use its best efforts to not permit any other Person to, impair the rights of the Collateral Agent and the Secured Creditors in the Collateral.

3.2 STOCK COLLATERIAL. The Pledgor shall deliver to the Collateral Agent for the benefit of the Secured Creditors, certificates representing the Pledged Stock with appropriate stock power or assignment, duly executed in blank. So long as no Event of Default shall have occurred and be continuing, the Pledgor shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Pledged Stock and the Collateral Agent shall execute and deliver to the Pledgor, at the expense of the Pledgor, all such proxies, powers of attorney, dividend and other payment orders, and all such instruments, without recourse, as the Pledgor may reasonably request for the purpose of enabling the Pledgor or its designees to exercise the rights and powers which it is entitled to exercise pursuant to this Section 3.2. Unless and until an Event of Default has occurred and is continuing (and provided that the rights of the Collateral Agent and the Secured Creditors shall not be impaired by any of the following actions) the Pledgor shall be entitled to receive and retain any dividends and other distributions on or in respect of the Pledged Stock paid in cash. If any Event of Default shall have occurred, then so long as such Event of Default shall continue, and whether or not the Collateral Agent exercises any available right to declare any Obligation due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Pledge Agreement, all dividends and other distributions on or in respect of the Pledged Stock shall be paid directly to the Collateral Agent, subject to the terms of this Pledge Agreement, and if the Collateral Agent shall so request in writing, the Pledgor agrees to execute and deliver to the Collateral Agent appropriate additional dividends, distributions and other payment orders and documents to that end, PROVIDED that if such Event of Default is cured, any such dividend or distribution or principal or interest theretofore paid to the Collateral Agent shall, upon request of the Pledgor (except to the extent theretofore applied to the Obligations), be returned by the Collateral Agent to the Pledgor.

3.3 ANTI-DILUTION. Upon the occurrence of any event as a result of which the interest pledged to the Collateral Agent in Liggett-Ducat or the New Russian Entity, as applicable, would constitute less than 16% of the outstanding equity of such entity, the Pledgor shall cause such entity to take such actions such that at all times the Pledged Stock shall constitute 16% of the outstanding equity of such entity.

3.4 FURTHER ACTION. The Pledgor will, at its own expense, make, execute, endorse, acknowledge, file or deliver to the Collateral Agent from time to time such lists and descriptions of its Collateral, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral (including the priority thereof).

3.5 POWER OF ATTORNEY. The Pledgor hereby constitutes and appoints the Collateral Agent its true and lawful attorney-in-fact, to the fullest extent permitted by applicable law, irrevocably, with full power (in the name of the Pledgor or otherwise) after the occurrence and during the continuance of an Event of Default to take any action and to execute any instrument which is reasonably necessary to accomplish the purposes of this Pledge Agreement, including, without limitation, to protect, maintain, and preserve the Collateral, and (a) to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Pledgor under or arising out of the Collateral, (b) to endorse any checks or other instruments (including any instruments necessary to accomplish the assignment of all or any right, title or interest in all or any part of the Collateral to the Collateral Agent to the full extent permitted by law) or orders in connection with clause (a) above, and (c) to file any claims or take any action or institute any proceedings which the Collateral Agent acting on the written instructions of the Requisite Holders may deem to be necessary or advisable in connection with the security interest granted hereby, which appointment as attorney-in-fact is coupled with an interest.

3.6 CONFIRMATION OF REALESE OF LIEN; TERMIANTION OF LIEN. At such time as the Obligations are paid in full, the security interest granted to the Collateral Agent pursuant to this Pledge Agreement in and to the Collateral shall terminate, and the Collateral Agent, at the Pledgor's expense, will, at the request of the Pledgor, confirm the termination of such security interest and the release of the Collateral from the Lien of this Pledge Agreement. The Collateral Agent, at the request and expense of the Pledgor, will execute and deliver to the Pledgor the proper instruments (including, without limitation, Uniform Commercial Code termination statements on form UCC-3) acknowledging the termination of the security interest created by this Pledge Agreement, and will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) the Collateral affected by such termination.

ARTICLE IV

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

4.1 REMEDIES; OBTAINING THE COLLATERIAL UPON DEFAULT. The Pledgor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, subject to any mandatory requirements of applicable law then in effect, the Collateral Agent may, and upon written instruction from the Requisite Holders, the Collateral Agent shall:

(a) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof not then in possession of the Collateral Agent, from the Pledgor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon the Pledgor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Pledgor;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation constituting the Collateral to make any payment or render any performance required by the terms of such instrument or agreement directly to the Collateral Agent or its designees;

(c) withdraw all monies, securities and instruments held by the Collateral Agent for the benefit of the Collateral Agent and the Secured Creditors for application to the Obligations;

(d) sell or otherwise liquidate, or direct the Pledgor to sell or otherwise liquidate, any or all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation; and

(e) take possession of the Collateral or any part thereof that is not then in the possession of the Collateral Agent, by directing the Pledgor in writing to deliver the same to the Collateral Agent at any place or places designated by the Collateral Agent that are reasonably convenient to both parties, in which event the Pledgor shall at its own expense, it being understood that the Pledgor's obligation so to deliver the Collateral is of the essence of this Pledge Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by the Pledgor of said obligation.

Any other remedies provided in this Pledge Agreement are in addition to those provided herein.

4.2. REMEDIES; DISPOSITION OF THE COLLATERIAL. Any Collateral repossessed by the Collateral Agent under or pursuant to Section 4.1 and any other Collateral whether or not so repossessed by the Collateral Agent, may (if any Event of Default shall have occurred and be continuing) be sold or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Collateral Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than ten (10) days' written notice to the Pledgor specifying the time at which such disposition is to be made. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than ten (10) days written notice to the Pledgor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Collateral Agent's option, be subject to reserve), after publication of notice of such auction not less than ten (10) days prior thereto in two newspapers in general circulation in the City of New York and in any other appropriate publication as provided in the Uniform Commercial Code. All expenses incurred by the Collateral Agent in connection with such disposition shall be for the account of the Pledgor, shall be repaid to the Collateral Agent upon request therefor and shall constitute part of the Obligations secured by this Pledge Agreement. To the extent permitted by any requirement of law, the Collateral Agent or any Secured Creditor may itself bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section 4.2 without accountability to the Pledgor (except to the extent of surplus money received as provided in Section 4.6). If, under mandatory requirements of applicable law, the Collateral Agent shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the Pledgor as hereinabove specified, the Collateral Agent need give the Pledgor any such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law.

4.3 REMEDIES; REGISTRATION RIGHTS. In addition to the remedies set forth above, but subject to Section 1.3, upon the occurrence of an Event of Default, the Collateral Agent at the direction of the Requisite Holders shall be entitled to direct the Pledgor to cause Liggett-Ducat or the New Russian Entity, as applicable, to register the sale of the Pledged Stock on the terms set forth in Appendix A hereto. In connection with the consummation of an offering in connection with such registration, the Collateral Agent will release its Lien upon the Pledged Stock, the Lien of the Collateral Agent shall attach to the proceeds of such offering and such proceeds shall be applied in accordance herewith.

4.4 PROCEEDS CASH COLLATERIAL ACCOUNT. The Collateral Agent shall establish a special account at Bankers Trust Company in the name of the Collateral Agent (the "PROCEEDS

CASH COLLATERAL ACCOUNT") into which the Collateral Agent shall deposit the proceeds of any Collateral obtained pursuant to Section 1.3, Section 4.1 or Section 4.3 or disposed of pursuant to Section 4.2. The amounts deposited in the Proceeds Cash Collateral Account may be invested by the Collateral Agent in Permitted Investments. The amounts deposited in the Proceeds Cash Collateral Account shall be applied as set forth in Section 4.6.

4.5 WAIVER OF CLAIMS. Except as otherwise provided in this Pledge Agreement, THE PLEDGOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE PLEDGOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Pledgor hereby further waives:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Pledge Agreement or the absolute sale of the Collateral or any portion thereof, and the Pledgor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Pledgor therein and thereto, and shall be a perpetual bar both at law and in equity against the Pledgor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Pledgor.

4.6 APPLICATION OF PROCEEDS. The proceeds of any Collateral obtained pursuant to Section 1.3, Section 4.1 or Section 4.3 or disposed of pursuant to Section 4.2 and any other monies held by the Collateral Agent under the provisions of this Pledge Agreement, shall be applied by the Collateral Agent, as follows:

(a) first, to the payment of any and all reasonable costs, expenses and fees (including reasonable attorneys' fees) incurred by the Collateral Agent in obtaining, taking possession of, removing, insuring, repairing, storing and disposing of the Collateral and any and all amounts incurred by the Collateral Agent in connection therewith or payable to the Trustee under Section 7.07 of the Indenture;

(b) next, any surplus then remaining to the payment of so much of the Obligations under the Notes as constitutes accrued and unpaid interest on the Notes to be paid by the Collateral Agent ratably according to the amounts of such interest owing in respect of the Notes; and

(c) next, any surplus then remaining to the payment of so much of Obligations as constitute unpaid principal of and premium, if any, on the Notes then due and payable, to be paid by the Collateral Agent ratably according to the amounts of such principal of, and premium, if any, owing in respect of the Notes; and

(d) next, any surplus then remaining to the payment of any other Obligations remaining unpaid and then due and payable, to be paid ratably by the Collateral Agent according to the amounts of such Obligations owing to the Secured Creditors; and

(e) next, any surplus then remaining shall be paid to the Pledgor.

4.7 REMEDIES CUMULATIVE. Each and every right, power and remedy hereby specifically given to the Collateral Agent shall be in addition to every other right, power and remedy specifically given to the Trustee under the Indenture or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Event of Default or an acquiescence therein. In the event that the Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Collateral Agent may recover reasonable costs and expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

4.8 DISCONTINUANCE OF PROCEEDINGS. In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Pledge Agreement by

foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Pledgor, the Collateral Agent and each Secured Creditor shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Pledge Agreement, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE V

INDEMNITY

. 5.1 INDEMNITY

(a) The Pledgor agrees to indemnify, reimburse and hold the Collateral Agent and its respective successors, assigns, employees and agents, officers and directors and each person who controls the Collateral Agent (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) (hereinafter in this Section 5.1 referred to individually as "INDEMNITEE", and collectively as "INDEMNITEES") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs and expenses (including reasonable attorneys' fees and expenses) (for the purposes of this Section 5.1 the foregoing are collectively called "EXPENSES") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Pledge Agreement or the documents executed in connection herewith or in any other way connected with the administration of the transactions contemplated hereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of the ownership, purchase, delivery, acceptance, possession, sale or other disposition of the Collateral, or contract claim excluding those arising from the gross negligence or willful misconduct of any Indemnitee making a claim and those claims that are not related in any way to the property or actions of the Pledgor. The Pledgor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, judgment or suit, the Pledgor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify the Pledgor of any such assertion of which such Indemnitee has received written notice; provided, however, that any failure to so notify the Pledgor shall not relieve the Pledgor of its obligations hereunder.

(b) Without limiting the application of Section 5.1(a), the Pledgor agrees to pay, or reimburse the Collateral Agent for, any and all fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees

and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of Liens upon or in respect of the Collateral and all other reasonable fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral Agent's interest in the Collateral, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of Section 5.1(a) or (b), the Pledgor agrees to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by the Pledgor in this Pledge Agreement or in any statement or writing contemplated by or made or delivered pursuant to or in connection with this Pledge Agreement.

(d) If and to the extent that the obligations of the Pledgor under this Section 5.1 are unenforceable for any reason, the Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

5.2 INDEMNITY OBLIGATIONS SECURED BY COLLATERAL; SURVIVAL. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of the Pledgor contained in this Article V shall continue in full force and effect notwithstanding the full payment of the Notes and all of the other Obligations and notwithstanding the discharge thereof, and the resignation or removal of the Collateral Agent.

5.3 ACTION CONTRARY TO DIRECTIONS. The Collateral Agent may refuse to follow any direction from the Secured Creditors that conflicts with law or this Pledge Agreement, that the Collateral Agent, in its sole discretion, determines may be unduly prejudicial to the rights of a Secured Creditor, that may involve the Collateral Agent in personal liability or if the Collateral Agent determines that it does not have adequate indemnification against any costs, losses or expenses in connection with such action; PROVIDED that, in such case, the Collateral Agent may request adequate indemnification from the Secured Creditors. Notwithstanding the foregoing, the Collateral Agent may take any other action deemed proper by the Collateral Agent which is not inconsistent with any such direction.

ARTICLE VI

DEFINITIONS

6.1 DEFINITIONS. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"ADDITIONAL COLLATERAL AGENT" shall have the meaning provided in Section 7.2(b).

"APPRAISAL" shall have the meaning provided in Section 1.3.

"BGL" shall mean Brooke Group Ltd., a Delaware corporation.

"BGLS" shall mean BGLS Inc., a Delaware corporation.

"COLLATERAL" shall mean individually or collectively, as the case may be, the Pledged Stock and the proceeds thereof.

"COLLATERAL AGENT'S APPRAISER" shall have the meaning provided in Section 1.3.

"INDEMNITEE" shall have the meaning provided in Section 5.1.

"INDENTURE" shall have the meaning provided in the second paragraph of this Pledge Agreement.

"INSTRUMENT" shall have the meaning assigned that term under the Uniform Commercial Code.

"LIGGETT-DUCAT" shall mean Liggett-Ducat Limited, a joint stock company registered in the Russian Federation and having the postal address: 6, Gasheka Street, Moscow, 123047, Russian Federation.

"NEW RUSSIAN ENTITY" shall have the meaning provided in the Recitals hereof.

"OBLIGATIONS" means (a) all Indebtedness, obligations, and liabilities of the Issuer to the Trustee, the Collateral Agent, or any Secured Creditor, in each case, under the Indenture, the Mortgages, the Notes, and any other documents or instruments

executed and delivered in connection therewith; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; (c) all obligations and liabilities of the Pledgor to any Indemnitee pursuant to Section 5.1; and (d) in the event of any proceeding for the collection or enforcement of any Indebtedness, obligations, or liabilities of the Pledgor referred to in clause (b), the reasonable costs and expenses of retaking, holding, preparing for sale, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder with respect to the Collateral, together with reasonable attorneys' fees and court costs.

"PLEDGE AGREEMENT" means this Pledge Agreement as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"PLEDGED STOCK" means the 112,160 shares, more fully described on Annex 1 hereof, and such additional number of shares as shall be included pursuant to Section 3.3, held by the Pledgor of Liggett-Ducat, together with in each case the certificates evidencing the same, PROVIDED THAT upon the substitution of shares in the New Russian Entity referenced in Section 1.2, "Pledged Stock" shall mean the shares substituted in lieu of the currently pledged stock of Liggett-Ducat.

"PLEDGOR'S APPRAISER" shall have the meaning provided in Section 1.3.

"PROCEEDS" means any "proceeds", as such term is defined under the Uniform Commercial Code and, in any event, shall include, but shall not be limited to, (a) any and all proceeds of any indemnity, warranty or guaranty payable to the Collateral Agent or the Pledgor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Pledgor from time to time in connection with any confiscation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"SECURED CREDITORS" means the Holders.

"UNIFORM COMMERCIAL CODE" means the Uniform Commercial Code, as in effect in the State of New York or any other jurisdiction relevant to the disposition of Collateral from time to time.

ARTICLE VII

MISCELLANEOUS

7.1 NOTICES. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Pledge Agreement, when deposited in the mail, first class postage pre-paid and addressed to such party at its address set forth on the signature pages attached hereto.

7.2 COLLATERAL AGENT; ADDITIONAL COLLATERAL AGENTS.

(a) The Collateral Agent shall act or be required to act only in accordance with the Indenture, the Security Agreement and this Pledge Agreement. At any time that the Trustee and the Collateral Agent are the same, neither shall be required to issue instructions or notices to the other in carrying out its respective duties hereunder and under the Indenture.

(b) Whenever the Collateral Agent shall deem it necessary or prudent in order either to conform to any law of any jurisdiction in which all or any part of the Collateral shall be situated or to make any claim or bring any suit with respect to the Collateral or in the event that the Collateral Agent shall have been requested to do so by the Requisite Holders, the Requisite Holders shall, within 30 days of receipt of written notice from the Collateral Agent, take such action as may be necessary or proper to retain another bank or trust company, or one or more Persons approved by the Pledgor, either to act as an additional collateral agent of all or any part of the Collateral, jointly with the Collateral Agent, or to act as a separate collateral agent or trustee of all or any part of the Collateral (any such additional or separate agent or trustee being herein called an "ADDITIONAL COLLATERAL AGENT"), in any such case with such powers as may be granted pursuant to such action, and to vest in such bank, trust company or Person as an Additional Collateral Agent any property, title, right or power of the Collateral Agent deemed necessary or advisable by the Collateral Agent, subject to the remaining provisions of this Section 7.2. The Collateral Agent may execute, deliver and perform any deed, conveyance, assignment or other instrument in writing as may be required by any Additional Collateral Agent for more fully and certainly vesting in and confirming to it, him or her any property, title, right or power which by the terms of such agreement supplemental hereto are expressed to be conveyed or conferred to or upon such Additional Collateral Agent.

(c) Every Additional Collateral Agent shall, to the extent permitted by law, be appointed and act, and the Collateral Agent shall act, subject to the following provisions and conditions:

(i) all powers, duties, obligations and rights conferred upon the Collateral Agent in respect of the receipt, custody, investment and payment of moneys, shall be exercised solely by the Collateral Agent;

(ii) all other rights, powers, duties and obligations conferred or imposed upon the Collateral Agent shall be conferred or imposed upon and exercised or performed by the Collateral Agent, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed, the Collateral Agent shall be incompetent or unqualified to perform such act or acts singly, in which event such rights, powers, duties and obligations (including the holding of title to any part of the Collateral in any such jurisdiction) shall be exercised and performed by such Additional Collateral Agent and the Collateral Agent jointly, except to the extent that under any such law, the Collateral Agent shall be incompetent or unqualified to perform such acts jointly, in which event such rights, powers, duties and obligations shall be exercised and performed by such Additional Collateral Agent;

(iii) no power hereby given to, or with respect to which it is hereby provided may be exercised by, any such Additional Collateral Agent shall be exercised hereunder by such Additional Collateral Agent except jointly with, or with the consent of, the Collateral Agent; and

(iv) neither the Collateral Agent nor any Additional Collateral Agent shall be personally liable by reason of any act or omission of any other of the foregoing hereunder.

If, at any time, the Collateral Agent shall deem it no longer necessary or prudent in order to conform to any such law or take any such action, or in the event that the Collateral Agent shall have been requested to do so in writing by the Requisite Holders, the Collateral Agent shall execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to remove any Additional Collateral Agent.

(d) In case any such Additional Collateral Agent shall die, become incapable of acting, resign or be removed, all the assets, property, rights, powers, trusts, duties and obligations of such Additional Collateral Agent, so far as permitted by law, shall vest in and be exercised by the Collateral Agent, without the appointment of a new successor to such Additional Collateral Agent unless and until a successor is appointed in the manner hereinbefore provided.

(e) Any request, approval or consent in writing by the Collateral Agent to any Additional Collateral Agent shall be sufficient warrant to such Additional Collateral Agent to take such action as may be so requested, approved or consented.

(f) Each Additional Collateral Agent appointed pursuant to this Section 7.2 shall be subject to, and shall have the benefits of this Agreement, insofar as they apply to the Collateral Agent.

(g) Nothing in this Agreement shall require the Collateral Agent to subject itself to the jurisdiction of a non-United States court or governmental authority or enforce remedies or take any action outside the United States.

7.3 WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. The terms and conditions of this Pledge Agreement may be changed, waived, modified or varied only as provided in Article 9 of the Indenture. The consent of any Additional Collateral Agent shall not be required to effect any change, waiver or modification of any of the provisions of this Pledge Agreement other than the provisions of Section 7.2(b) through (f) hereof. No notice to or demand on the Pledgor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.

7.4 OBLIGATIONS ABSOLUTE. The obligations of the Pledgor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Pledgor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of the Indenture except as specifically set forth in a waiver granted pursuant to the restrictions of Section 7.3 hereof; or (c) any amendment to or modification of any agreement or any security for any of the Obligations; whether or not the Pledgor shall have notice or knowledge of any of the foregoing. The rights and remedies of the Collateral Agent herein provided are cumulative and not exclusive of any rights or remedies which the Collateral Agent would otherwise have.

7.5 SUCCESSORS. All agreements of the Pledgor in this Pledge Agreement shall bind its successors. All agreements of the Collateral Agent in this Pledge Agreement shall bind its successors.

7.6 HEADINGS DESCRIPTIVE. The headings of the several sections of this Pledge Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Pledge Agreement.

7.7 SEVERABILITY. In case any provision in this Pledge Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Secured Creditor shall have no claim therefor against any party hereto.

7.8 GOVERNING LAW. This Pledge Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York without regard to principles of conflicts of law, except to the extent that perfection of the security interest granted by this Pledge Agreement is governed by a jurisdiction other than the State of New York.

7.9 PLEDGOR'S DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Pledgor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Pledge Agreement, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of the Pledgor under or with respect to any of the Collateral.

7.10 DUPLICATE ORIGINALS. All parties may sign any number of copies of this Pledge Agreement. Each signed copy shall be an original, but all of them together represent the same agreement.

7.11 NON-RECOURSE LIABILITY. Except with respect to the Collateral Agent which shall be entitled to full and unrestricted indemnifications by the Pledgor hereunder, notwithstanding anything contained in this Pledge Agreement to the contrary, satisfaction of the Obligations with respect to the Pledgor shall be had solely from the Pledged Stock. Except with respect to indemnification of the Collateral Agent as set forth immediately above, the liability of the Pledgor with respect to the Obligations is limited to the Pledged Stock, and no recourse shall be had in the event of any nonperformance by the Issuer of the Obligations to (a) any assets or properties of the Pledgor other than its interest in the Pledged Stock or (b) the Pledgor or any of the officers, directors, employees, incorporators or stockholders of the Pledgor. No judgment for any deficiency upon the Obligations shall be obtainable by the Collateral Agent against the Pledgor or any incorporator, stockholder, officer, employee or director, past, present or future, of the Pledgor or of any predecessor or successor of the Pledgor.

7.12 ARBITRATION. The Pledgor hereby agrees that, to the extent required under Russian law to enable the Pledgee to enforce a judgement in Russia, any dispute hereunder shall be submitted to binding arbitration conducted in accordance with the rules and regulations of the American Arbitration Association.

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

BROOKE (OVERSEAS) LTD.

By

Name:
Title:

Address for notices:

Brooke (Overseas) Ltd.
100 S.E. Second Street
32nd Floor
Miami, Florida 33131

BANKERS TRUST COMPANY,
as Collateral Agent

By

Name:
Title:

Address for notices:

Bankers Trust Company,
as Collateral Agent
Corporate Trust and Agency Services
Four Albany Street, 4th Floor
New York, New York 10006
Attention: Corporate Market Services

APPENDIX A TO PLEDGE AGREEMENT

II.

DEFINITIONS AND USAGE

II. A. Definitions. Capitalized terms used but not defined herein, shall have the meanings assigned to such terms in the Pledge Agreement, including by reference therein. As used in this Appendix, the following terms shall have the following meanings:

"Effective Date" has the meaning set forth in Section 2.1.

"Effectiveness Period" has the meaning set forth in Section 2.2.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Losses" has the meaning set forth in Section 4.1.

"Preliminary Prospectus" means any preliminary prospectus that may be included in any Registration Statement.

"Prospectus" means the prospectus included in or related to any Registration Statement (including a prospectus that includes any information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means collectively the Pledged Stock. However, a share of Pledged Stock will cease to be a Registrable Security when (i) such share of Pledged Stock is sold in an open market transaction or in an underwritten public offering, (ii) such share of Pledged Stock is sold to any person other than an "affiliate" of Liggett-Ducat (as defined under the Regulations) pursuant to a Registration Statement, (iii) such share of Pledged Stock is eligible for resale without restriction pursuant to Rule 144(k) of the Regulations or any similar rule or regulation hereafter adopted by the SEC or (iv) such share of Pledged Stock ceases to be outstanding.

"Registration Statement" means any registration statement of Liggett-Ducat under the Securities Act that covers any of the Registrable Securities, including the

Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement and all material deemed part of such registration statement by Rule 430A of the Regulations.

"Regulations" means the regulations of the SEC under the Securities Act.

"Rule 415" means Rule 415 of the Regulations or any similar rule or regulation hereafter adopted by the SEC.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration" has the meaning set forth in Section 2.2.

"Underwritten registration" or "underwritten offering" means a registration in which securities of Liggett-Ducat are sold to one or more underwriters or group or a syndicate of underwriters for offering to the public.

II. B. Usage. This Appendix contemplates the filing of registration statements under the Securities Act involving various offers and sales of securities. In connection with such registration statements, there may be identified therein one or more underwriters through which securities are to be offered pursuant to either a "firm commitment" or "best-efforts" arrangement, and, in the case where there is more than one underwriter, one or more of the underwriters may be designated as the "manager" or "representative" or the "co-managers" or "representatives" of the several underwriters. Accordingly, all references herein to an "underwriter" or the "underwriters" are intended to refer to a "principal underwriter" (as defined in Rule 405 of the Regulations) and to provide for those transactions in which securities may be offered by or through one or more underwriters, and not to imply that any of the transactions contemplated hereby is conditioned in any manner whatsoever on the participation therein by one or more underwriters on behalf of any party.

II. C. Joint Nature of Covenants; Representations; Etc. In each instance in this Appendix in which a representation and warranty or a covenant or other agreement is made by "Liggett-Ducat" (i) such representation and warranty shall be deemed to have been made jointly and severally by the Pledgor and Liggett-Ducat and (ii) the Pledgor shall be deemed to have agreed to cause Liggett-Ducat to comply with such covenant or other agreement, as the case may be.

III.
REGISTRATION OF REGISTRABLE SECURITIES UNDER SECURITIES ACT

III. A. Required Registration of Registrable Securities. Upon the occurrence of an "Event of Default" under the Indenture (as such term is defined in the Indenture) (the date of such event being referred to herein as the "Effective Date"), Pledgor shall cause Liggett-Ducat to use its reasonable best efforts to register the Registrable Securities upon the terms, and subject to the limitations and conditions, hereinafter set forth; provided, however, that the Effective Date shall be suspended during any period in which any Appraisal is being conducted.

III. B. Shelf Registration. Within sixty (60) days following the Effective Date, Liggett-Ducat shall prepare and file with the SEC a Registration Statement for an offering to be made by the Pledgor on a continuous basis under Rule 415 covering all the Registrable Securities (the "Shelf Registration"). The Shelf Registration shall be on an appropriate form permitting registration of all Registrable Securities for resale by the Pledgor in the manner reasonably designated by the Pledgor. Liggett-Ducat shall use its reasonable best efforts to cause the Shelf Registration to be declared effective under the Securities Act within ninety (90) days following the date of filing of the Registration Statement with the SEC and to keep the Shelf Registration continuously effective and the Prospectus current under the Securities Act during the period (the "Effectiveness Period") ending on the earliest date on which (x) the Registration Statement has been effective for an aggregate of two (2) years, (y) all Registrable Securities have been sold other than to the Pledgor, or (z) in the opinion of Milbank, Tweed, Hadley & McCloy or other nationally recognized counsel to Liggett-Ducat reasonably acceptable to the Requisite Holders, which opinion shall be reasonably satisfactory in form, scope and substance to the Requisite Holders, registration of the Registrable Securities is no longer required under the Securities Act for the Pledgor to sell all remaining Registrable Securities in the open market without limitations as to volume or manner of sale and without being required to file any forms or reports with the SEC under the Securities Act or the Regulations other than a notice of sale under Rule 144 under the Regulations; provided, however, that the Effectiveness Period shall be suspended during any period in which any Appraisal is being conducted. No holder of Registrable Securities may include any of its Registrable Securities in any Shelf Registration pursuant to this Appendix unless and until such holder furnishes to Liggett-Ducat in writing such information as Liggett-Ducat may reasonably request.

Subject to Section 2.3.1(q), Liggett-Ducat shall promptly supplement and amend the Registration Statement and the Prospectus (i) if required by the Regulations or the instructions applicable to the registration form used for the Shelf Registration, (ii) if required by the Securities Act or the Regulations, (iii) if required to prevent the Registration Statement or the Prospectus from containing any material misstatement or omitting to state a material fact

required to be stated therein or necessary to make the statements therein not misleading, or (iv) if reasonably requested by the Pledgor.

III. C. Registration Procedures.

III. C. 1. Shelf Registration. In connection with a Shelf Registration, Liggett-Ducat shall use its reasonable best efforts to effect such registration to permit the sale of Registrable Securities in accordance with the method or methods of disposition reasonably intended by the Pledgor, and pursuant thereto Liggett-Ducat shall:

a. FILING OF REGISTRATION STATEMENT. Before filing any Registration Statement or Prospectus or any amendments or supplements thereto, furnish to and afford the Pledgor, and the managing underwriters, if any, a reasonable opportunity to review and, if they desire, comment on all such documents (including any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed.

b. COMPLIANCE WITH LAW. Comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to it with respect to the disposition of all Registrable Securities covered by such Registration Statement as amended or by such Prospectus as supplemented.

c. NOTICE. Notify the Pledgor, and the managing underwriters, if any, promptly, and confirm such notice in writing (i) when a Registration Statement and an amendment thereto or a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective (including in such notice a written statement that the Pledgor may, upon request, obtain, without charge, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus, the initiation of any proceedings for that purpose or any other communication between the SEC and Liggett-Ducat or their representatives related to a Shelf Registration, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities, the representations and warranties of Liggett-Ducat contained in any agreement (including any underwriting agreement) contemplated by Section 2.3.1(m) cease to be true and correct, (iv) of the receipt by Liggett-Ducat of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities for offer or sale in any jurisdiction, or the

initiation or threatening of any proceeding for such purpose, (v) of the happening of any event or any information becoming known that requires the making of any changes in such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of Liggett-Ducat's determination that a post-effective amendment to a Registration Statement would be necessary or advisable under applicable law.

d. PREVENT SUSPENSION OF EFFECTIVENESS. Use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Securities for offers or sales in any jurisdiction, and, if any such order is issued, use its reasonable best efforts to obtain the withdrawal of any such order at the earliest possible moment.

e. UNDERWRITTEN OFFERING. If the Registrable Securities are to be sold in an underwritten offering, (i) as promptly as is reasonably practicable incorporate in a prospectus supplement or post-effective amendment to the Registration Statement such information as is required by the Securities Act, Regulation S-K of the Regulations, the Regulations and instructions applicable to the registration form used for such Registration Statement to be disclosed concerning, among other things, the terms of the underwritten offering, the underwriters, and the plan of distribution and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable.

f. COPIES OF FILINGS. Furnish to the Pledgor upon request, and each managing underwriter, if any, without charge, one conformed copy of the Registration Statement and each post-effective amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

g. DELIVERY OF PROSPECTUS. Deliver to the Pledgor, and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Preliminary Prospectus) and each amendment or supplement thereto and any documents incorporated or deemed to be incorporated by reference therein as such Persons may reasonably request; and Liggett-Ducat hereby consents to the use of each such Prospectus and Preliminary Prospectus and each amendment or supplement thereto by the Pledgor, and the underwriters or agents, if any, and dealers, if any, in connection with the offering

and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto in the manner set forth in the relevant Registration Statement.

h. BLUE SKY LAWS. Use its reasonable best efforts to register or qualify, and to cooperate with the Pledgor, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as the Pledgor or the managing underwriters, if any, reasonably request in writing; keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period; and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement in the manner set forth in such Registration Statement; PROVIDED, HOWEVER, that Liggett-Ducat shall not be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) subject itself to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in a material amount in any such jurisdiction.

i. CERTIFICATES. Cooperate with the Pledgor and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, or the Pledgor may reasonably request.

j. GOVERNMENTAL AGENCIES. Use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other domestic or foreign governmental agencies, or authorities as may be necessary to enable the Pledgor, or the underwriters, if any, to consummate the disposition of such Registrable Securities in the manner set forth in such Registration Statement, except as may be required solely as a consequence of the nature of the Pledgor's business, in which case Liggett-Ducat will cooperate in all reasonable respects with the filing of such Registration Statements and the granting of such approvals.

k. AMENDMENTS AND SUPPLEMENTS. Subject to Sections 2.3.1(a) and 2.3.1(q), upon the occurrence of any event contemplated by Section 2.3.1(c)(v) or 2.3.1(c)(vi), as promptly as practicable prepare and file with the SEC a post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of Registrable Securities being sold thereunder, the Registration Statement and such Prospectus will not contain an

untrue statement of a material fact or omit to state 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.

l. LISTING ON SECURITIES EXCHANGES. Use its reasonable best efforts to cause all Registrable Securities covered by a Registration Statement to be (i) listed on a national securities exchange or (ii) authorized to be quoted on the NASDAQ Stock Market or the NASDAQ National Market.

m. UNDERWRITING AGREEMENT. In connection with an underwritten offering of Registrable Securities, enter into and perform its obligations under an underwriting agreement in customary form for underwritten offerings made by selling security holders on the registration form utilized for the relevant Registration Statement and take such other actions as are reasonably requested by the managing underwriters in order to expedite or facilitate the registration and the disposition of such Registrable Securities, and in such connection, (i) make such representations and warranties to the underwriters with respect to the business of Liggett-Ducat and its subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein in each case as are customarily made by comparable issuers to underwriters in underwritten offerings made by selling security holders, and confirm the same if and when requested; (ii) obtain opinions of counsel to Liggett-Ducat and updates thereof (which counsel and opinions shall be reasonably satisfactory to the managing underwriters and the Pledgor), addressed to the underwriters covering the matters customarily covered in opinions requested in underwritten offerings by selling security holders; (iii) obtain "cold comfort" letters and updates thereof (which letters and updates shall be reasonably satisfactory to the managing underwriters and the Pledgor) from the independent certified public accountants of Liggett-Ducat (and, if necessary, any other independent certified public accountants of any subsidiary of Liggett-Ducat or of any business acquired by Liggett-Ducat for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each of the underwriters and the holders of Registrable Securities included in such underwritten offering (to the extent such accountants are permitted under applicable law and accounting literature so to address "cold comfort" letters), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings by selling security holders; and (iv) if an underwriting agreement is entered into, undertake such indemnification and contribution provisions and procedures as are customarily undertaken in such agreements. The above shall be done in connection with each closing under such underwriting agreement, or as and to the extent required thereunder.

n. FINANCIAL RECORDS, ETC.. Make available for inspection by the Pledgor, any underwriter participating in any such disposition of Registrable Securities, and any attorney, accountant or other agent retained by the Pledgor or underwriter (collectively, the "INSPECTORS"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of Liggett-Ducat and its subsidiaries (collectively, the "RECORDS") as shall be necessary or advisable to enable them to exercise their due diligence responsibilities, and cause the officers, directors and employees of Liggett-Ducat and its subsidiaries to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement. Records which Liggett-Ducat determines, in good faith, to be confidential and as to which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) the information in such Records has been made generally available to the public. Except as contemplated hereby, and subject to applicable law, the Pledgor agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of Liggett-Ducat or its affiliates unless and until such information is made generally available to the public. The Pledgor shall not be prohibited from engaging in market transactions if such information is not material, to the extent permitted by applicable law. The Pledgor further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to Liggett-Ducat and allow Liggett-Ducat at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential.

o. EARNINGS STATEMENTS. Comply with all applicable rules and regulations of the SEC relating to the Shelf Registration and make generally available earnings statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of Liggett-Ducat after the effective date of a Registration Statement which statements shall cover such 12-month periods.

p. NASD. Cooperate with each holder of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings

required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

q. POSTPONEMENT OR SUSPENSION OF SHELF REGISTRATION. Notwithstanding anything contained in this Section 2, Liggett-Ducat may postpone, for a period of not in excess of 60 days in the aggregate in any twelve month period, taking any action with respect to or suspend the Shelf Registration if, in the good faith opinion of Liggett-Ducat's board of directors, effecting or continuing the Shelf Registration would adversely affect a material financing, acquisition, disposition of assets or stock, merger or other comparable transaction or would require Liggett-Ducat to make public disclosure of information the public disclosure of which would have a material adverse effect upon Liggett-Ducat.

r. DELIVERY OF OPINION. Upon the filing of any Registration Statement, deliver to the Holders an opinion or opinions of outside counsel to Liggett-Ducat (which counsel shall be reasonably satisfactory to the Requisite Holders) to the effect that nothing has come to the attention of such counsel that causes such counsel to believe that such Registration Statement contains, as of its effective date, any untrue statement of a material fact necessary to make the statements therein not misleading, it being understood that any such opinion may contain customary limitations thereof.

s. FURTHER ASSURANCES. Use its reasonable best efforts to take all other steps necessary or advisable, requested by the Pledgor, to effect the registration and distribution of the Registrable Securities covered by the Registration Statement contemplated hereby.

III. C. 2. Pledgor Covenants. The Pledgor agrees by acceptance of the Registrable Securities that:

(a) upon receipt of any notice from Liggett-Ducat of the happening of any event of the kind described in clause (ii), (iv), (v) or (vi) of Section 2.3.1(c), the Pledgor shall forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until the Pledgor's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.3.1(k), or until it is advised in writing by Liggett-Ducat that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto;

(b) the Pledgor shall promptly furnish to Liggett-Ducat in writing, upon Liggett-Ducat's reasonable request, any and all information as to the Pledgor and its plan of distribution as may be necessary to comply with the provisions of the Securities Act, the Regulations, the Exchange Act and with the rules and regulations of the SEC thereunder

in connection with the preparation and filing of any Registration Statement pursuant hereto, or any amendment or supplement thereto, or any Preliminary Prospectus or Prospectus included therein; and

(c) all information to be furnished to Liggett-Ducat by or on behalf of the Pledgor expressly for use in connection with the preparation of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, will not include any untrue statement of a material fact required to be stated therein or necessary to make the statements therein not misleading.

III. D. Qualifications to Registration Obligations. Notwithstanding anything in this Appendix to the contrary, if a Registration Statement does not become effective after Liggett-Ducat has filed it solely by reason of a written request not to proceed made by the Collateral Agent, acting at the direction of the Requisite Holders, the Pledgor's obligation to cause Liggett-Ducat to file such Registration Statement and attempt to cause it to become effective shall be deemed completely satisfied and discharged to the extent of such request.

IV.
REGISTRATION EXPENSES

All reasonable fees and expenses incident to the performance of or compliance with this Appendix by Liggett-Ducat shall be borne by Liggett-Ducat, whether or not a Shelf Registration is filed or becomes effective, including (i) all registration and filing fees (including (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel for Liggett-Ducat or the underwriters, or both, in connection with Blue Sky qualifications of the Registrable Securities)), (ii) printing expenses (including expenses of printing certificates for Registrable Securities, printing and distributing Prospectuses, Preliminary Prospectuses and amendments or supplements thereto, the Registration Statement and amendments thereto, and printing or preparing any underwriting agreement, agreement among underwriters and related syndicate or selling group agreements, pricing agreements and Blue Sky memoranda), (iii) fees and disbursements of counsel for Liggett-Ducat, (iv) fees and disbursements of all independent certified public accountants for Liggett-Ducat (including the expenses of any "cold comfort" letters required by or incident to such performance), (v) Securities Act liability insurance, if Liggett-Ducat so desires such insurance, (vi) internal expenses of Liggett-Ducat (including all salaries and expenses of officers and employees of Liggett-Ducat performing legal or accounting duties), (vii) the fees and expenses incurred in connection with the listing of the securities to be registered and any national securities exchange or quoted on the NASDAQ Stock Market

or the NASDAQ National Market pursuant to section 2.3.1(1), and (viii) the fees and expenses of any Person, including special experts, retained by Liggett-Ducat in its sole discretion.

The Pledgor shall pay (i) all underwriting discounts and commissions or broker's commissions incurred in connection with the sale or other disposition of Registrable Securities for or on behalf of the Pledgor's account and (ii) all fees and disbursements of legal counsel for the Pledgor or any underwriter. or the Collateral Agent.

V.
INDEMNIFICATION

V. A. Indemnification by Liggett-Ducat. Liggett-Ducat shall indemnify and hold harmless, to the fullest extent permitted by law, the Pledgor and the Collateral Agent and their respective affiliates and their respective shareholders, partners, officers, directors, agents and employees, each Person who controls the Pledgor (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the shareholders, partners, officers, directors, agents and employees of each such controlling person, (individually, an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, costs (including costs of investigating, preparing to defend, defending and appearing as a third-party witness and attorneys' fees and disbursements reasonably incurred) and expenses including any amounts paid in respect of any settlements (collectively, "Losses"), without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplements thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereto, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except (i), in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in writing to Liggett-Ducat by such Indemnified Person (or the person controlling such Indemnified Person) expressly for use therein, (ii) to the extent such Losses result from the failure of any Pledgor or any underwriter in an underwritten offering to provide to any person purchasing Registrable Securities from it any supplement to a Prospectus provided by Liggett-Ducat pursuant to Section 2.3.1(g), or (iii) to the extent such Losses result from the sale of Registrable Securities by the Pledgor or underwriter in an underwritten offering (a) under a Registration Statement or (b) using any Prospectus, other than a Registration Statement or a Prospectus, as the case may be, amended or supplemented by Liggett-Ducat pursuant to Section 2.3.1(k) and provided to the Pledgor or such underwriter pursuant to Section 2.3.1(g), after Liggett-Ducat shall have notified the Pledgor or such underwriter in an underwritten offering in writing of any event contemplated by Section 2.3.1.(c)(v) or 2.3.1(c)(vi) pursuant to Section 2.3.1(c).

V. B. Indemnification by Pledgor. In connection with any Registration Statement in which the Pledgor is participating, the Pledgor shall indemnify and hold harmless, to the fullest

extent permitted by law, Liggett-Ducat and the Collateral Agent and their respective shareholders, directors, officers, agents and employees, each Person who controls Liggett-Ducat (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the shareholders, directors, officers, agents or employees of such controlling person, from and against, any and all Losses, joint or several, without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplement thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereon, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact necessary to make the statements therein, in the light of the circumstances under the statements therein, in the light of the circumstances under which they were made, not misleading; in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in writing to Liggett-Ducat by the Pledgor expressly for use therein by notice referring to this Section 4.2.

V. C. Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity or contribution hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party or parties from which such indemnity or contribution is sought (the "indemnifying parties") of the commencement of any action or proceeding (including any governmental investigation) (collectively "Proceedings" and individually a "Proceeding") with respect to which such indemnification or contribution is sought pursuant hereto; provided, however, that the failure so to notify the indemnifying parties shall not relieve the indemnifying parties from any obligation or liability except to the extent that the indemnifying parties have been actually prejudiced by such failure. The indemnifying parties shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such Proceeding, to assume, at the indemnifying parties' expense, the defense of any such Proceeding, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such Proceeding; provided, however, that an indemnified party or parties (if more than one such indemnified party is named in any Proceeding) shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless: (i) the indemnifying party or parties agree to pay such fees and expenses; or (ii) the indemnifying parties fail promptly to assume the defense of such Proceeding or fail to employ counsel reasonably satisfactory to such indemnified party or parties; or (iii) counsel for the indemnified party (which counsel shall be reasonably satisfactory to the indemnifying party) determines that one counsel may not

properly represent both the indemnifying party and such indemnified party in which case, if such indemnified party or parties notifies the indemnifying parties in writing that it elects to employ separate counsel at the expense of the indemnifying parties, the indemnifying parties shall not have the right to assume the defense thereof and the fees and expenses of counsel retained by the indemnified party or parties shall be at the expense of the indemnifying parties, it being understood, however, that the indemnifying parties shall not, in connection with any one such Proceeding, arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for such indemnified party or parties. Whether or not such defense is assumed-by the indemnifying parties, such indemnifying parties will not be subject to any liability for any settlement made without its or their consent (but such consent will not be unreasonably withheld). No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, but if settled with its written consent each indemnifying party jointly and severally agrees, subject to the exception and limitations set forth above, to indemnify and hold harmless each indemnified party from and against any Losses by reason of such settlement.

V. D. Contribution. If the indemnification provided for in this Article 4 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless for any Losses in respect to which this Article 4 would otherwise apply by its terms, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have an obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any Proceeding, to the extent such party would have been indemnified for such expenses if the applicable indemnification provided for in Section 4.1 or 4.2 were available to such party.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the

meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

V. E. Remedies Cumulative. The indemnity, contribution and expense reimbursement obligations under this Article 4 shall be in addition to any liability that each indemnifying person may otherwise have and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party. Notwithstanding anything in this Appendix to the contrary, an indemnified party-shall not be entitled to receive duplicate indemnification or contribution for the same Losses (except to the extent they are incurred more than once).

VI.
UNDERWRITTEN REGISTRATION

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Pledgor with the consent of Liggett-Ducat (not to be unreasonably withheld or delayed).

ANNEX 1

(BEING AN INTEGRAL PART OF THE PLEDGE AGREEMENT, DATED AS OF JANUARY 30, 1998, EXECUTED BY BROOKE (OVERSEAS) LTD. IN FAVOR OF BANKERS TRUST COMPANY, AS COLLATERAL AGENT)

PLEDGED STOCK

DESCRIPTION	VALUE
112,160 ordinary registered shares (Certificate No. 1139)	112,160,000 Roubles

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(1) THE VALUE OF THE PLEDGED SHARES SET FORTH IN THIS ANNEX IS THE AMOUNT WHICH HAS BEEN AGREED BY THE PLEDGEE AND THE PLEDGOR AT THE MOMENT OF SIGNATURE OF THE PRESENT CONTRACT. THE VALUE OF THE PLEDGED SHARES AT THE MOMENT OF THE EXERCISE OF THE RIGHTS OF THE PLEDGEE SHALL BE EQUAL TO THE PRICE OF SUCH SHARES RECEIVED BY THE PLEDGEE AFTER THE SALE OR REALIZATION BY OTHER MEANS OF THE PLEDGED SHARES, TAKING INTO ACCOUNT THE LOCATION AND CONDITION OF THE ASSETS OF THE PLEDGOR AT THE MOMENT OF THE EXERCISE OF THE RIGHTS OF THE PLEDGEE.

ANNEX 2

(BEING AN INTEGRAL PART OF THE PLEDGE AGREEMENT, DATED AS OF JANUARY 30, 1998, EXECUTED BY BROOKE (OVERSEAS) LTD. IN FAVOR OF BANKERS TRUST COMPANY, AS COLLATERAL AGENT)

FORM OF NOTICE OF PLEDGE

From: Brooke (Overseas) Ltd.

To: Joint Stock Company Liggett-Ducat Limited

Copy to: Bankers Trust Company, as Collateral Agent

PLEDGE INSTRUCTION

- ----------
Registrar's service notes

- ----------
Registrar's service notes

- ----------

We hereby request you to make in the Register a record of the following:

- ----------

- ----------
arising of pledge

- ----------
termination of pledge

Type of pledge:

- ----------

- ----------

- ----------
Full name of Issuer:

- ----------
Type of category of securities:

- ----------

- ----------
State registration number of the issue:
----
number of securities:

(to be filed in handwriting)
- ----------

THE ENTRY MADE IN THE REGISTER IS BASED ON THE FOLLOWING DOCUMENT:
name and details of the document:

- ----------

- ----------

PLEDGOR

number of
personal account

Full name:

Certifying document:

No. of document: Series: Date of issue (registration):

Body which has issued (or registered) the document:

PLEDGEE

Full name:

Certifying document:

No. of document: Series: Date of issue (registration):

Body which has issued (or registered) the document:

the certificates are held by: / / the pledgor / / the pledgee

the person entitled to benefit
is: / / pledgor / / the pledgee

the right to use is vested in: / / the pledgor / / pledgee

Conditions of use:

- ---

AUTHORIZED REPRESENTATIVE

- ---

Full name:

Certifying document:

- ---

No. of document: Series: Date of issue (registration):

Body which has issued (or registered) the document:

- ---

Signature of pledgor or its authorized representative

Seal

Signature of pledgee or its authorized representative

Seal

-xx-

ANNEX 3

(BEING AN INTEGRAL PART OF THE PLEDGE AGREEMENT, DATED AS OF JANUARY 30, 1998, EXECUTED BY BROOKE (OVERSEAS) LTD. IN FAVOR OF BANKERS TRUST COMPANY, AS COLLATERAL AGENT)

FORM OF ACKNOWLEDGEMENT OF PLEDGE

From: Joint Stock Company Liggett-Ducat Limited

To: Bankers Trust Company, as Collateral Agent

January 30, 1998

Dear Sirs,

We acknowledge receipt of a notice of pledge dated January 30, 1998 from Brooke (Overseas) Ltd. and confirm that the notice is adequate notice of a Pledge Agreement, dated as of January 30, 1998, (the "PLEDGE AGREEMENT") and we further acknowledge the rights of Bankers Trust Company, as Collateral Agent, as pledgeholder in respect of 112,160 of Pledgor's shares in Joint Stock Company Liggett-Ducat Limited.

We confirm that:

(a) the issuance of Joint Stock Company Liggett-Ducat Limited shares has been registered in accordance with applicable laws and pursuant an executed request in substantially the form set forth in Annex 2 of the Pledge Agreement; and

(b) the pledge in favor of the Collateral Agent has been noted in the share register of Joint Stock Company Liggett-Ducat Limited.

Yours faithfully,

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For and on behalf of
Joint Stock Company Liggett-Ducat Limited