

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended June 30, 2001

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

1-5759  
Commission File Number

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

100 S.E. Second Street  
Miami, Florida 33131  
305/579-8000  
(Address, including zip code and telephone number, including area code,  
of the principal executive offices)

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

At August 13, 2001, Vector Group Ltd. had 29,382,796 shares of common  
stock outstanding.

## VECTOR GROUP LTD.

## FORM 10-Q

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VECTOR GROUP LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in Thousands, Except Per Share Amounts)  
(Unaudited)

|  | June 30,<br>2001<br>----- | December 31,<br>2000<br>----- |
|--|---------------------------|-------------------------------|
| <b>ASSETS:</b>   |                           |                               |
| Current assets:  |                           |                               |
| Cash and cash equivalents .....  | \$ 220,556                | \$ 157,513                    |
| Investment securities available for sale .....   | 24,908                    | 29,337                        |
| Trading securities owned .....   | 12,628                    | 18,348                        |
| Accounts receivable - trade .....  | 10,359                    | 9,748                         |
| Receivables from clearing brokers .....  | 25,168                    | 10,126                        |
| Other receivables .....  | 1,373                     | 1,669                         |
| Inventories .....  | 45,776                    | 29,752                        |
| Restricted assets .....  | 2,627                     | 4,489                         |
| Deferred income taxes .....  | 3,064                     | 3,304                         |
| Other current assets .....   | 9,074                     | 5,656                         |
|  | -----                     | -----                         |
| Total current assets .....   | 355,533                   | 269,942                       |
| Property, plant and equipment, net .....   | 82,298                    | 48,539                        |
| Investment in real estate, net .....   | 112,291                   | 120,272                       |
| Long-term investments, net .....   | 11,256                    | 4,654                         |
| Restricted assets .....  | 5,507                     | 3,060                         |
| Deferred income taxes .....  | 14,196                    | 7,094                         |
| Goodwill .....   | 19,557                    | --                            |
| Other assets .....   | 22,755                    | 8,414                         |
|  | -----                     | -----                         |
| Total assets .....   | \$ 623,393<br>=====       | \$ 461,975<br>=====           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>   |                           |                               |
| Current liabilities:   |                           |                               |
| Current portion of notes payable and long-term debt .....  | \$ 7,704                  | \$ 17,850                     |
| Margin loans payable .....   | 2,360                     | 4,675                         |
| Accounts payable .....   | 16,306                    | 9,547                         |
| Cash overdraft .....   | --                        | 501                           |
| Securities sold, not yet purchased .....   | 7,876                     | 3,570                         |
| Accrued promotional expenses .....   | 20,373                    | 19,683                        |
| Accrued taxes payable .....  | 28,999                    | 32,133                        |
| Deferred income taxes .....  | 2,527                     | 2,587                         |
| Prepetition claims and restructuring accruals .....  | 5,325                     | 10,229                        |
| Other accrued liabilities .....  | 49,718                    | 38,000                        |
|  | -----                     | -----                         |
| Total current liabilities .....  | 141,188                   | 138,775                       |
| Notes payable, long-term debt and other obligations, less current portion  | 101,742                   | 39,890                        |
| Noncurrent employee benefits .....   | 15,808                    | 7,313                         |
| Deferred income taxes .....  | 136,479                   | 129,887                       |
| Other liabilities .....  | 60,705                    | 61,627                        |
| Minority interests .....   | 92,095                    | 72,034                        |
| Commitments and contingencies  |                           |                               |
| Stockholders' equity:  |                           |                               |
| Preferred stock, par value \$1.00 per share, authorized 10,000,000 shares  |                           |                               |
| Common stock, par value \$0.10 per share, authorized 100,000,000<br>shares, issued 33,656,485 shares, outstanding 29,382,258 ..... | 2,938                     | 2,567                         |
| Additional paid-in capital .....   | 223,674                   | 184,807                       |
| Deficit .....  | (134,439)                 | (148,789)                     |
| Accumulated other comprehensive income .....   | 1,965                     | 1,337                         |
| Less: 4,274,227 shares of common stock in treasury, at cost .....  | (18,762)                  | (27,473)                      |
|  | -----                     | -----                         |
| Total stockholders' equity .....   | 75,376                    | 12,449                        |
|  | -----                     | -----                         |
| Total liabilities and stockholders' equity .....   | \$ 623,393<br>=====       | \$ 461,975<br>=====           |

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

VECTOR GROUP LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in Thousands, Except Per Share Amounts)  
(Unaudited)

|   | Three Months Ended |                   | Six Months Ended  |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | June 30,<br>2001   | June 30,<br>2000  | June 30,<br>2001  | June 30,<br>2000  |
| <b>Revenues:</b>  |                    |                   |                   |                   |
| Tobacco*  | \$ 180,533         | \$ 187,644        | \$ 317,669        | \$ 334,792        |
| Broker-dealer transactions  | 21,231             | 18,300            | 40,296            | 48,596            |
| Real estate leasing   | 2,425              | 820               | 5,066             | 1,591             |
| <b>Total revenues</b>   | <b>204,189</b>     | <b>206,764</b>    | <b>363,031</b>    | <b>384,979</b>    |
| <b>Expenses:</b>  |                    |                   |                   |                   |
| Cost of goods sold*   | 54,605             | 85,567            | 95,369            | 154,142           |
| Operating, selling, administrative and general expenses   | 133,852            | 111,067           | 241,358           | 210,812           |
| Settlement charges  | 32                 | 65                | 9,797             | 102               |
| <b>Operating income</b>   | <b>15,700</b>      | <b>10,065</b>     | <b>16,507</b>     | <b>19,923</b>     |
| <b>Other income (expenses):</b>   |                    |                   |                   |                   |
| Interest and dividend income  | 2,037              | 1,652             | 4,219             | 3,182             |
| Interest expense  | (2,273)            | (11,814)          | (3,531)           | (23,570)          |
| Equity in loss of affiliate   | (102)              | (1,362)           | (102)             | (2,913)           |
| Foreign currency gain   | --                 | 312               | --                | 1,535             |
| Gain in joint venture   | 14                 | 379               | --                | 153               |
| Gain on sale of investments, net  | 288                | 1,438             | 753               | 6,191             |
| Sale of assets  | 30                 | 150               | 1,522             | 150               |
| Other, net  | 225                | 883               | 253               | 1,111             |
| <b>Income from continuing operations before provision for income taxes and minority interests</b> | <b>15,919</b>      | <b>1,703</b>      | <b>19,621</b>     | <b>5,762</b>      |
| Provision for income taxes  | 7,971              | 640               | 10,019            | 2,314             |
| Minority interests  | (3,044)            | (1,883)           | (3,920)           | (144)             |
| <b>Income from continuing operations</b>  | <b>10,992</b>      | <b>2,946</b>      | <b>13,522</b>     | <b>3,592</b>      |
| Gain on disposal of discontinued operations   | 828                | --                | 828               | --                |
| Loss on extraordinary items   | --                 | --                | --                | (230)             |
| <b>Net income</b>   | <b>\$ 11,820</b>   | <b>\$ 2,946</b>   | <b>\$ 14,350</b>  | <b>\$ 3,362</b>   |
| <b>Per basic common share:</b>  |                    |                   |                   |                   |
| Income from continuing operations   | \$ 0.41            | \$ 0.13           | \$ 0.52           | \$ 0.16           |
| Gain from discontinued operations   | 0.03               | --                | 0.03              | --                |
| Loss from extraordinary items   | --                 | --                | --                | \$ (0.01)         |
| <b>Net income applicable to common shares</b>   | <b>\$ 0.44</b>     | <b>\$ 0.13</b>    | <b>\$ 0.55</b>    | <b>\$ 0.15</b>    |
| <b>Basic weighted average common shares outstanding</b>   | <b>26,761,933</b>  | <b>23,089,271</b> | <b>26,214,476</b> | <b>23,089,271</b> |
| <b>Per diluted common share:</b>  |                    |                   |                   |                   |
| Income from continuing operations   | \$ 0.34            | \$ 0.11           | \$ 0.43           | \$ 0.13           |
| Gain from discontinued operations   | 0.03               | --                | 0.03              | --                |
| Loss from extraordinary items   | --                 | --                | --                | \$ (0.01)         |
| <b>Net income applicable to common shares</b>   | <b>\$ 0.37</b>     | <b>\$ 0.11</b>    | <b>\$ 0.46</b>    | <b>\$ 0.12</b>    |
| <b>Diluted weighted average common shares outstanding</b>   | <b>32,179,582</b>  | <b>27,647,813</b> | <b>31,063,423</b> | <b>27,595,891</b> |

\* Tobacco revenues and Cost of goods sold include excise taxes of \$37,186, \$32,459, \$64,310 and \$57,161, respectively.

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



VECTOR GROUP LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(Dollars in Thousands, Except Per Share Amounts)  
(Unaudited)

|   | Common Stock      |                 | Additional<br>Paid-in<br>Capital | Deficit             | Treasury<br>Stock  | Accumulated<br>Other<br>Comprehensive<br>Income | Total            |
|---|-------------------|-----------------|----------------------------------|---------------------|--------------------|---|------------------|
|   | Shares            | Amount          |                                  |                     |                    |   |                  |
| Balance, December 31, 2000 .....                          | 25,667,018        | \$ 2,567        | \$ 184,807                       | \$ (148,789)        | \$ (27,473)        | \$ 1,337  | \$ 12,449        |
| Net income .....  | --                | --              | --                               | 14,350              | --                 | --  | 14,350           |
| Effect of New Valley<br>capital transactions .....        | --                | --              | --                               | --                  | --                 | 628   | 628              |
| Total other comprehensive<br>income .....                 | --                | --              | --                               | --                  | --                 | --  | 628              |
| Total comprehensive income .....                          | --                | --              | --                               | --                  | --                 | --  | 14,978           |
| Distributions on common stock ....                        | --                | --              | (21,998)                         | --                  | --                 | --  | (21,998)         |
| Effect of New Valley<br>acquisition of LTS .....          | --                | --              | 5,509                            | --                  | --                 | --  | 5,509            |
| Issuance of stock .....                                   | 1,639,344         | 164             | 42,118                           | --                  | 7,718              | --  | 50,000           |
| Exercise of options and warrants .                        | 2,045,896         | 204             | 11,530                           | --                  | 852                | --  | 12,586           |
| Stock grants .....  | 30,000            | 3               | (144)                            | --                  | 141                | --  | --               |
| Effect of repurchase of New<br>Valley common shares ..... | --                | --              | 193                              | --                  | --                 | --  | 193              |
| Amortization of deferred<br>compensation .....            | --                | --              | 1,659                            | --                  | --                 | --  | 1,659            |
| Balance, June 30, 2001 .....                              | <u>29,382,258</u> | <u>\$ 2,938</u> | <u>\$ 223,674</u>                | <u>\$ (134,439)</u> | <u>\$ (18,762)</u> | <u>\$ 1,965</u>                                 | <u>\$ 75,376</u> |

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

VECTOR GROUP LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in Thousands, Except Per Share Amounts)  
(Unaudited)

|  | Six Months Ended |                  |
|--|------------------|------------------|
|  | June 30,<br>2001 | June 30,<br>2000 |
| Net cash provided by (used in) operating activities .....    | \$ 3,964         | \$ (3,556)       |
| Cash flows from investing activities:                        |                  |                  |
| Capital expenditures .....                                   | (36,560)         | (21,429)         |
| Proceeds from sale of businesses and assets, net .....       | 12,811           | 162              |
| Purchase of real estate .....                                | (1,378)          | --               |
| Sale or maturity of investment securities .....              | 9,744            | 29,126           |
| Purchase of investment securities .....                      | (3,721)          | (5,732)          |
| Purchase of long-term investments .....                      | (5,717)          | (1,875)          |
| Decrease in restricted assets .....                          | 1,232            | 3,394            |
| Payment of prepetition claims .....                          | (2,624)          | (327)            |
| Investment in joint venture .....                            | --               | (1,266)          |
| Repurchase by New Valley of common shares .....              | (274)            | (407)            |
| Cash acquired in acquisition of LTS .....                    | 5,151            | --               |
| Purchase by New Valley of subsidiary common stock .....      | (6,342)          | --               |
| Net cash (used in) provided by investing activities .....    | (27,678)         | 1,646            |
| Cash flows from financing activities:                        |                  |                  |
| Proceeds from debt .....                                     | 82,132           | 3,134            |
| Repayments of debt .....                                     | (13,037)         | (6,718)          |
| Borrowings under revolvers .....                             | 221,975          | 225,241          |
| Repayments on revolvers .....                                | (241,349)        | (200,929)        |
| Deferred financing charges .....                             | (3,214)          | --               |
| (Decrease) increase in margin loans payable .....            | (2,315)          | 4,414            |
| (Decrease) increase in cash overdraft .....                  | (501)            | 693              |
| Issuance of common stock .....                               | 50,000           | --               |
| Proceeds from exercise of options and warrants .....         | 12,586           | --               |
| Distributions on common stock .....                          | (21,998)         | (10,869)         |
| Proceeds from participating loan .....                       | 2,478            | --               |
| Net cash provided by financing activities .....              | 86,757           | 14,966           |
| Effect of exchange rate changes on cash and cash equivalents | --               | (133)            |
| Net increase in cash and cash equivalents .....              | 63,043           | 12,923           |
| Cash and cash equivalents, beginning of period .....         | 157,513          | 20,123           |
| Cash and cash equivalents, end of period .....               | \$ 220,556       | \$ 33,046        |

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

VECTOR GROUP LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Thousands, Except Per Share Amounts)  
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION:

The consolidated financial statements of Vector Group Ltd. (the "Company" or "Vector") include the accounts of BGLS Inc. ("BGLS"), Vector Tobacco (USA) Ltd. ("Vector Tobacco"), Liggett Group Inc. ("Liggett"), New Valley Corporation ("New Valley"), Brooke (Overseas) Ltd. ("Brooke (Overseas)"), through July 31, 2000 Liggett-Ducat Ltd. ("Liggett-Ducat"), and other less significant subsidiaries.

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

The interim consolidated financial statements of the Company are unaudited and, in the opinion of management, reflect all adjustments necessary (which are normal and recurring) to present fairly the Company's consolidated financial position, results of operations and cash flows. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission. The consolidated results of operations for interim periods should not be regarded as necessarily indicative of the results that may be expected for the entire year.



VECTOR GROUP LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in Thousands, Except Per Share Amounts) - (Continued)  
(Unaudited)

(b) ESTIMATES AND ASSUMPTIONS:

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

(c) RECLASSIFICATIONS:

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

(d) EARNINGS PER SHARE:

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

(e) COMPREHENSIVE INCOME:

Comprehensive income consists of net income and other comprehensive income and is a component of stockholders' equity which includes such items as the Company's proportionate interest in New Valley's capital transactions, unrealized gains and losses on investment securities and minimum pension liability adjustments. Total comprehensive income was \$14,978 for the six months ended June 30, 2001 and \$5,211 for the six months ended June 30, 2000.

2. PRO FORMA RESULTS

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

VECTOR GROUP LTD.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Dollars in Thousands, Except Per Share Amounts) - (Continued)  
 (Unaudited)

|  | Three Months<br>Ended<br>June 30, 2001 | Three Months<br>Ended<br>June 30, 2000 | Six Months<br>Ended<br>June 30, 2001 | Six Months<br>Ended<br>June 30, 2000 |
|--|--|--|--------------------------------------|--------------------------------------|
| Revenues .....   | \$ 212,721<br>=====                    | \$ 241,676<br>=====                    | \$385,994<br>=====                   | \$ 383,447<br>=====                  |
| Income from continuing<br>operations .....                             | \$ 9,988<br>=====                      | \$ 8,618<br>=====                      | \$ 11,795<br>=====                   | \$ 13,873<br>=====                   |
| Income from continuing<br>operations per diluted<br>common share ..... | \$ 0.31<br>=====                       | \$ 0.31<br>=====                       | \$ 0.38<br>=====                     | \$ 0.50<br>=====                     |

3. NEW VALLEY CORPORATION

During 1999, New Valley's Board of Directors authorized the repurchase of up to 2,000,000 Common Shares from time to time on the open market or in privately negotiated transactions depending on market conditions. As of June 30, 2001, New Valley had repurchased 422,000 shares for approximately \$1,457. At June 30, 2001, the Company owned 56.3% of New Valley's Common Shares.

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

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

The information above is based on preliminary estimates of the number of shares of LTS common stock and the conversion price of the LTS notes to be issued to the former stockholders or Ladenburg and the conversion price of the LTS note issued to Frost-Nevada. The actual number of shares and the conversion prices may be further adjusted following completion of a post-closing determination of the respective changes in the adjusted net worths of Ladenburg and LTS through April 30, 2001.

VECTOR GROUP LTD.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Dollars in Thousands, Except Per Share Amounts) - (Continued)  
 (Unaudited)

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

Under the purchase method of accounting, the assets acquired and liabilities assumed were recorded at estimated fair values as determined by management based on information currently available and on current assumptions as to future operations. Goodwill of \$19,385 has been recognized for the amount of the excess of the purchase price paid over the fair market value of the net assets acquired and is amortized on the straight line basis over 20 years.

4. INVESTMENT IN WESTERN REALTY

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

Western Realty Development has three classes of equity: Class A interests, representing 30% of the ownership of Western Realty Development, and Class B and Class C interests, which collectively represent 70% of the ownership of Western Realty Development. Prior to December 29, 2000, Apollo owned the Class A interests, New Valley owned the Class B interests and BrookeMil owned the Class C interests. On December 29, 2000, WRD Holding Corporation ("WRD Holding"), a wholly-owned subsidiary of New Valley, purchased for \$4,000 29/30ths of the Class A interests of Western Realty Development previously held by Apollo. WRD Holding paid the purchase price of \$4,000 with a promissory note due November 30, 2005. The note, which is collateralized by a pledge of the purchased Class A interests, bears interest at a rate of 7% per annum, compounded annually; interest is payable to the extent of available cash flow from distributions from Western Realty Development. In addition, upon the maturity date of the note or, if earlier, upon the closing of various liquidity events, including sales of interests in or assets of, or a business combination or financing involving, Western Realty Development, additional interest will be payable under the note. The additional interest would be in an amount equal to 30% of the excess, if any, of the proceeds from a liquidity event occurring prior to the maturity of the note or the appraised fair market value of Western Realty Development, at maturity, over \$13,750. The note is classified in other long-term liabilities in the consolidated balance sheet. Apollo and New Valley also agreed to loan Western Realty Development on an equal basis any additional funds required to pay off its existing indebtedness at an interest rate of 15% per annum.

As a result of the purchase of the Class A interests, New Valley and its subsidiaries are entitled to 99% of distributions from Western Realty Development and Apollo is entitled to 1%

VECTOR GROUP LTD.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Dollars in Thousands, Except Per Share Amounts) - (Continued)  
 (Unaudited)

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

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

|  | Three Months Ended<br>June 30, 2000 | Six Months Ended<br>June 30, 2000 |
|--|-------------------------------------|-----------------------------------|
|  | -----                               | -----                             |
| Revenues .....                                     | \$2,994                             | \$5,384                           |
| Costs and expenses .....                           | 2,288                               | 4,458                             |
| Accretion of return on<br>participating loan ..... | 1,464                               | 2,876                             |
| Income tax expense .....                           | --                                  | --                                |
| Net income .....                                   | \$2,186                             | \$3,802                           |

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

Through June 30, 2001, Western Realty Repin has advanced \$41,425 to BrookeMil, of which \$29,015 was funded by Apollo and was classified in other long-term obligations in the consolidated balance sheet. The loan bears no fixed interest and is payable only out of 100% of the distributions by the entities owning the Kremlin sites to BrookeMil. Such distributions will be applied first to pay the principal of the loan and then as contingent participating interest on the loan. Any rights of payment on the loan are subordinate to the rights of all other creditors of BrookeMil. BrookeMil used a portion of the proceeds of the loan to repay New Valley for certain expenditures on the Kremlin sites previously incurred. The loan is due and payable upon the dissolution of BrookeMil and is collateralized by a pledge of New Valley's shares of BrookeMil.

As of June 30, 2001, BrookeMil had invested \$37,043 in the Kremlin sites and held \$462 in cash and receivables from an affiliate, both of which were restricted for future investment in the Kremlin sites. In connection with the acquisition of a 34.8% interest in one of the Kremlin sites, BrookeMil agreed with the City of Moscow to invest an additional \$22,000 by May 2000 in the development of the property. In April 2000, Western Realty Repin arranged short-term financing to fund the investment. Under the terms of the investment, BrookeMil is required to utilize such financing amount to make construction expenditures on the site by June 2002. Failure to make the expenditures could result in forfeiture of the 34.8% interest in the site.

New Valley has accounted for the formation of Western Realty Repin as a financing by Apollo through a participating interest to be received from the Kremlin sites. Based on the distribution terms contained in the Western Realty Repin LLC agreement, the 20% annual rate of return

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preference to be received by Apollo on funds advanced to Western Realty Repin is treated as interest cost in the consolidated statement of operations to the extent of New Valley's net investment in the Kremlin sites. BrookeMil's historical cost in the Kremlin sites is \$37,505 at June 30, 2001 and the amount of the participating loan recorded in the consolidated balance sheet is \$38,605 at June 30, 2001. Apollo is entitled to additional preferences of approximately \$7,858 related to the Kremlin sites at June 30, 2001.

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

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

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

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

5. INVESTMENT SECURITIES AVAILABLE FOR SALE

Investment securities classified as available for sale are carried at fair value, with net unrealized gains included as a component of stockholders' equity, net of minority interests. The Company had realized losses on sales of investment securities available for sale of \$595 and \$130 for the three and six months ended June 30, 2001, and realized gains on sales of investment securities available for sale of \$1,438 and \$6,191 for the three and six months ended June 30, 2000.

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

|                              | Cost     | Gross<br>Unrealized<br>Gain | Gross<br>Unrealized<br>Loss | Fair<br>Value |
|------------------------------|----------|-----------------------------|-----------------------------|---------------|
|                              | -----    | -----                       | -----                       | -----         |
| Marketable equity securities | \$20,908 | \$ 1,055                    | \$ 1,945                    | \$20,018      |
| Marketable warrants .....    | --       | 4,890                       | --                          | 4,890         |
|                              | -----    | -----                       | -----                       | -----         |
| Investment securities .....  | \$20,908 | \$ 5,945                    | \$ 1,945                    | \$24,908      |
|                              | =====    | =====                       | =====                       | =====         |

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## 6. INVENTORIES

Inventories consist of:

|                                | June 30,<br>2001 | December 31,<br>2000 |
|--------------------------------|------------------|----------------------|
|                                | -----            | -----                |
| Leaf tobacco .....             | \$ 16,228        | \$ 7,911             |
| Other raw materials .....      | 3,041            | 1,382                |
| Work-in-process .....          | 1,753            | 2,156                |
| Finished goods .....           | 21,218           | 18,924               |
| Replacement parts and supplies | 2,963            | 2,640                |
|                                | -----            | -----                |
| Inventories at current cost .. | 45,203           | 33,013               |
| LIFO adjustments .....         | 573              | (3,261)              |
|                                | -----            | -----                |
|                                | \$ 45,776        | \$ 29,752            |
|                                | =====            | =====                |

At June 30, 2001, the Company had leaf tobacco purchase commitments of approximately \$22,506.

## 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

|                               | June 30,<br>2001 | December 31,<br>2000 |
|-------------------------------|------------------|----------------------|
|                               | -----            | -----                |
| Land and improvements .....   | \$ 1,550         | \$ 1,670             |
| Buildings .....               | 25,409           | 15,641               |
| Machinery and equipment ..... | 92,635           | 71,741               |
|                               | -----            | -----                |
|                               | 119,594          | 89,052               |
| Less accumulated depreciation | (37,296)         | (40,513)             |
|                               | -----            | -----                |
|                               | \$ 82,298        | \$ 48,539            |
|                               | =====            | =====                |

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

Also in February 2001, Liggett contracted to purchase production machinery for approximately \$16,300 denominated in foreign currencies. Deliveries are expected to begin in October 2001. Liggett is seeking a capital lease arrangement to finance a portion of the acquisition costs.

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## 8. LONG-TERM INVESTMENTS

At June 30, 2001, long-term investments consisted primarily of investments in limited partnerships of \$11,256. The Company is an investor in one limited partnership where it is required to make additional investments of up to an aggregate of \$7,350 at June 30, 2001. In the second quarter of 2001, the Company recognized a gain of \$883 on the liquidation of an investment in a limited partnership. The Company believes the fair value of the limited partnerships exceeds their carrying amount by approximately \$6,163 based on the indicated market values of the underlying investment portfolio provided by the partnerships. The Company's estimates of the fair value of its long-term investments are subject to judgment and are not necessarily indicative of the amounts that could be realized in the current market. The Company's investments in limited partnerships are illiquid, and the ultimate realization of these investments is subject to the performance of the underlying partnership and its management by the general partners.

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

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

|   | June 30,<br>2001 | December 31,<br>2000 |
|---|------------------|----------------------|
|   | -----            | -----                |
| BGLS:   |                  |                      |
| 10% Senior Secured Notes due 2006, net of<br>unamortized discount of \$10,067 ..... | \$ 49,933        | \$ --                |
| Liggett:  |                  |                      |
| Revolving credit facility .....   | --               | 19,374               |
| Term loan under credit facility .....   | 3,960            | 4,320                |
| Equipment loans .....   | 5,381            | 5,760                |
| New Valley:   |                  |                      |
| Notes payable - shopping centers .....  | 11,265           | 19,529               |
| Notes payable - Russia .....  | 5,412            | 8,187                |
| Notes payable - LTS .....   | 11,990           | --                   |
| Vector Research:  |                  |                      |
| Equipment loan .....  | 13,055           | --                   |
| Vector Tobacco:   |                  |                      |
| Note payable .....  | 8,200            | --                   |
| Other .....   | 250              | 570                  |
|   | -----            | -----                |
| Total notes payable, long-term debt and other obligations                           | 109,446          | 57,740               |
| Less:   |                  |                      |
| Current maturities .....  | (7,704)          | (17,850)             |
|   | -----            | -----                |
| Amount due after one year .....   | \$ 101,742       | \$ 39,890            |
|   | =====            | =====                |

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

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

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offering of approximately \$46,500. The notes were priced to provide the purchasers with a 15.75% yield to maturity.

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

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

REVOLVING CREDIT FACILITY - LIGGETT:

Liggett has a \$35,000 credit facility under which \$0 was outstanding at June 30, 2001. Availability under the credit facility was approximately \$27,417 based on eligible collateral at June 30, 2001. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above First Union's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate. The facility's interest rate was 7.0% at June 30, 2001. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment of the dividend, and after giving effect to the dividend, is at least \$5,000. In addition, the facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below \$8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of \$17,000 as computed in accordance with the agreement). At June 30, 2001, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$30,918 and net working capital was \$22,006, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

During 1999, 100 Maple Lane LLC, a new company formed by Liggett to purchase an industrial facility in Mebane, North Carolina, borrowed \$5,040 from the lender under Liggett's credit facility, of which \$3,960 was outstanding at June 30, 2001. In July 2001, Liggett borrowed an additional \$2,340 under the loan. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of \$75 including



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annual interest at 1% above the prime rate with a final payment of \$1,875. Liggett has guaranteed the loan, and a first mortgage on the Mebane property collateralizes the Maple Lane loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

EQUIPMENT LOANS - LIGGETT:

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

In January 1999, Liggett purchased equipment for \$5,750 and borrowed \$4,500 (\$3,690 outstanding at June 30, 2001) to fund the purchase from a third party. The loan, which was collateralized by the equipment and guaranteed by BGLS and Vector, was payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550. The loan was repaid in July 2001 in connection with the sale of the equipment.

NOTES PAYABLE - NEW VALLEY:

In February 2001, New Valley sold its Royal Palm Beach, Florida shopping center for \$9,500 before closing adjustments and expenses and recorded a gain of \$897 for the six months ended June 30, 2001. Notes payable relating to the shopping center with a balance of \$8,226 at December 31, 2000 were repaid upon closing.

A credit facility with a Russian bank bears interest at 16% per year, matures no later than August 2002, with principal payments commencing after the first year, and is collateralized by a mortgage on Ducat Place II and guaranteed by New Valley. At June 30, 2001, borrowings under the credit agreement totaled \$5,412.

On May 31, 2001, Western Realty Development's Russian subsidiary entered into a credit agreement with ZAO Raiffeisenbank Austria. The credit agreement, which provides for borrowings of up to \$12,000, will be used to refinance the subsidiary's present facility with a Russian bank and to repay intercompany indebtedness. Borrowings under the credit agreement will bear interest at a rate of LIBOR plus six percent and will be secured by a mortgage on Ducat Place II. An initial borrowing of \$2,100 was made under the facility in July 2001. Principal payments will be due under the credit agreement in 20 equal quarterly installments, with all remaining amounts due on June 30, 2006.

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

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EQUIPMENT LOANS - VECTOR RESEARCH:

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

NOTE PAYABLE - VECTOR TOBACCO:

In June 2001, Vector Tobacco purchased for \$8,400 an industrial facility in Roxboro, North Carolina. Vector Tobacco financed the purchase with an \$8,200 loan, payable in 60 monthly installments of \$85, including annual interest at 4.85% above the LIBOR rate (8.685% at June 30, 2001), with a final payment of approximately \$3,160. The loan, which is collateralized by a mortgage and a letter of credit of \$1,750, is guaranteed by BGLS and Vector.

SUBSEQUENT EVENT:

6.25% CONVERTIBLE SUBORDINATED NOTES DUE JULY 15, 2008 - VECTOR:

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

The notes may be redeemed by Vector, in whole or in part, between July 15, 2003 and July 15, 2004, if the closing price of Vector's common stock exceeds 150% of the conversion price then in effect for a period of at least 20 trading days in any consecutive 30 day trading period, at a price equal to 100% of the principal amount, plus accrued interest and a "make whole" payment. Vector may redeem the notes, in whole or in part, at a price of 103.125% in the year beginning July 15, 2004, 102.083% in the year beginning July 15, 2005, 101.042% in the year beginning July 15, 2006 and 100% in the year beginning July 15, 2007, together with accrued interest. If a change of control occurs, Vector will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued interest and, under certain circumstances, a "make whole" payment.

10. EQUITY

On January 22, 2001, the Company granted non-qualified stock options to two executive officers of the Company pursuant to the Company's 1999 Long-Term Incentive Plan. Under the options, the option holders have the right to purchase an aggregate of 750,000 shares of common stock at an exercise price of \$19.125 per share (the

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fair market value of a share of common stock on the date of grant). Common stock dividend equivalents are paid currently with respect to each share underlying the unexercised portion of the options. The options have a ten-year term and become exercisable on November 4, 2003. However, the options will earlier vest and become immediately exercisable upon (i) the occurrence of a change in control or (ii) the termination of the option holder's employment with the Company due to death or disability.

During the quarter ended June 30, 2001, new employees of the Company or its subsidiaries were awarded a total of 140,000 non-qualified options to purchase shares of common stock at prices ranging from \$20.68 to \$37.20, generally at the fair market value on the dates of grant under the Company's 1998 Long-Term Incentive Plan. The Company will recognize compensation expense of \$165 over the vesting period.

On May 16, 2001, Vector entered into a stock purchase agreement with High River Limited Partnership, an investment entity owned by Carl C. Icahn, in which High River agreed to purchase for \$50,000 1,639,344 shares of Vector's common stock at a price of \$30.50 per share, the market price when negotiations with Mr. Icahn were completed. The closing of the purchase of the shares occurred on May 31, 2001.

On June 8, 2001, the Company granted 10,000 shares of the Company's common stock to each of its three outside directors which will vest over a period of three years. The Company will recognize compensation expense of \$1,017 over the vesting period.

During the quarter ended June 30, 2001, a total of 1,767,696 warrants to purchase Vector's common stock at \$4.54 per share were exercised. At June 30, 2001, Vector had outstanding 437,304 of the \$4.54 warrants which expire in 2003.

11. CONTINGENCIES

SMOKING-RELATED LITIGATION:

OVERVIEW. Since 1954, Liggett and other United States cigarette manufacturers have been named as defendants in numerous direct and third-party actions predicated on the theory that cigarette manufacturers should be liable for damages alleged to have been caused by cigarette smoking or by exposure to secondary smoke from cigarettes. These cases are reported here as though having been commenced against Liggett (without regard to whether such cases were actually commenced against Brooke Group Holding Inc., the Company's predecessor and a wholly-owned subsidiary of BGLS, or Liggett). There has been a noteworthy increase in the number of cases commenced against Liggett and the other cigarette manufacturers in recent years. The cases generally fall into the following categories: (i) smoking and health cases alleging injury brought on behalf of individual plaintiffs ("Individual Actions"); (ii) smoking and health cases alleging injury and purporting to be brought on behalf of a class of individual plaintiffs ("Class Actions"); (iii) health care cost recovery actions brought by various governmental entities ("Governmental Actions"); and (iv) health care cost recovery actions brought by third-party payors including insurance companies, union health and welfare trust funds, asbestos manufacturers and others ("Third-Party Payor Actions"). As new cases

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are commenced, defense costs and the risks attendant to the inherent unpredictability of litigation continue to increase. The future financial impact of the risks and expenses of litigation and the effects of the tobacco litigation settlements discussed below is not quantifiable at this time. For the six months ended June 30, 2001, Liggett incurred counsel fees and costs totaling approximately \$3,846 compared to \$4,133 for the six months ended June 30, 2000.

**INDIVIDUAL ACTIONS.** As of June 30, 2001, there were approximately 311 cases pending against Liggett, and in most cases the other tobacco companies, where one or more individual plaintiffs allege injury resulting from cigarette smoking, addiction to cigarette smoking or exposure to secondary smoke and seek compensatory and, in some cases, punitive damages. Of these, 67 were pending in Florida, 93 in New York, 13 in Massachusetts, 14 in Texas and 22 in California. The balance of the individual cases were pending in 22 states. There are five individual cases pending where Liggett is the only named defendant. In addition to these cases, during the third quarter of 2000, an action against cigarette manufacturers involving approximately 1,200 named individual plaintiffs has been consolidated before a single West Virginia state court. Liggett is a defendant in most of the cases pending in West Virginia.

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

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

**CLASS ACTIONS.** As of June 30, 2001, there were approximately 40 actions pending, for which either a class has been certified or plaintiffs are seeking class certification, where Liggett, among others, was a named defendant. Many of these actions purport to constitute statewide

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

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

The extent of the impact of the CASTANO decision on smoking-related class action litigation is still uncertain. The CASTANO decision has had a limited effect with respect to courts' decisions regarding narrower smoking-related classes or class actions brought in state rather than federal court. For example, since the Fifth Circuit's ruling, a court in Louisiana (Liggett is not a defendant in this proceeding) has certified "addiction-as-injury" class actions that covered only citizens in those states. Two other class actions, BROIN and ENGLE, were certified in state court in Florida prior to the Fifth Circuit's decision.

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

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decided that Phase II of the trial, which commenced November 1999, would be a causation and damages trial for three of the class representatives and a punitive damages trial on a class-wide basis, before the same jury that returned the verdict in Phase I. On April 7, 2000, the jury awarded compensatory damages of \$12,704 to the three plaintiffs, to be reduced in proportion to the respective plaintiff's fault. The jury also decided that the claim of one of the plaintiffs, who was awarded compensatory damages of \$5,831, was not timely filed. On July 14, 2000, the jury awarded approximately \$145,000,000 in the punitive damages portion of Phase II against all defendants including \$790,000 against Liggett. The court entered a final order of judgment against the defendants on November 6, 2000. The court's final judgment also denied various of defendants' post-trial motions, which included a motion for new trial and a motion seeking reduction of the punitive damages award. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it could have a material adverse effect on the Company. Phase III of the trial will be conducted before separate juries to address absent class members' claims, including issues of specific causation and other individual issues regarding entitlement to compensatory damages.

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

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

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

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On August 16, 2000, in *BLANKENSHIP V. PHILIP MORRIS, INC.*, a West Virginia state court conditionally certified (only to the extent of medical monitoring) a class of present or former West Virginia smokers who desire to participate in a medical monitoring plan. The trial of this case ended on January 25, 2001, when the judge declared a mistrial. In an order issued on March 23, 2001, the court reaffirmed class certification of this medical monitoring action. In July 2001, the court issued an order severing Liggett from the retrial of the case scheduled to begin in September 2001.

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

Liggett and plaintiffs have advised the court, in *SIMON V. PHILIP MORRIS ET AL.*, a putative nationwide smokers class action, that Liggett and the plaintiffs have engaged in preliminary settlement discussions. There are no assurances that any settlement will be reached or that the class will ultimately be certified.

**GOVERNMENTAL ACTIONS.** As of June 30, 2001, there were approximately 51 Governmental Actions pending against Liggett. In these proceedings, both foreign and domestic governmental entities seek reimbursement for Medicaid and other health care expenditures. The claims asserted in these health care cost recovery actions vary. In most of these cases, plaintiffs assert the equitable claim that the tobacco industry was "unjustly enriched" by plaintiffs' payment of health care costs allegedly attributable to smoking and seek reimbursement of those costs. Other claims made by some but not all plaintiffs include the equitable claim of indemnity, common law claims of negligence, strict liability, breach of express and implied warranty, breach of special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, claims under state and federal statutes governing consumer fraud, antitrust, deceptive trade practices and false advertising, and claims under RICO.

**THIRD-PARTY PAYOR ACTIONS.** As of June 30, 2001, there were approximately 66 Third-Party Payor Actions pending against Liggett. The claims in these cases are similar to those in the Governmental Actions but have been commenced by insurance companies, union health and

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

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

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

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

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



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SETTLEMENTS. In March 1996, Brooke Group Holding and Liggett entered into an agreement, subject to court approval, to settle the CASTANO class action tobacco litigation. The CASTANO class was subsequently decertified by the court.

In March 1996, March 1997 and March 1998, Brooke Group Holding and Liggett entered into settlements of smoking-related litigation with the Attorneys General of 45 states and territories. The settlements released both Brooke Group Holding and Liggett from all smoking-related claims, including claims for health care cost reimbursement and claims concerning sales of cigarettes to minors.

In November 1998, Philip Morris, Brown & Williamson Tobacco Corporation, R.J. Reynolds Tobacco Company and Lorillard Tobacco Company (collectively, the "Original Participating Manufacturers" or "OPMs") and Liggett (together with the OPMs and any other tobacco product manufacturer that becomes a signatory, the "Participating Manufacturers") entered into the Master Settlement Agreement (the "MSA") with 46 states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Marianas (collectively, the "Settling States") to settle the asserted and unasserted health care cost recovery and certain other claims of those Settling States. The MSA has received final judicial approval in each of the 52 settling jurisdictions.

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

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

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

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annual and strategic contribution payment provisions of the MSA, the OPMS (and Liggett to the extent its market share exceeds the base share) are required to pay the following annual amounts (subject to certain adjustments):

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

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

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

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

In March 1997, Liggett, Brooke Group Holding and a nationwide class of individuals that allege smoking-related claims filed a mandatory class settlement agreement in an action entitled FLETCHER, ET AL. V. BROOKE GROUP LTD., ET AL., Circuit Court of Mobile County, Alabama, where the court granted preliminary approval and preliminary certification of the class. In July 1998, Liggett, Brooke Group Holding and plaintiffs filed an amended class action settlement agreement in FLETCHER which agreement was preliminarily approved by the court in December 1998. In July 1999, the court denied approval of the FLETCHER class action settlement. The parties' motion for reconsideration is still pending.

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

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

TRIALS. Cases currently scheduled for trial in 2001 include an individual action in an Ohio federal court that is scheduled to begin in August 2001 and two individual actions in New York state courts scheduled for October and December 2001. Trial dates, however, are subject to change.

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

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

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

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

LEGISLATION AND REGULATION:

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

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

In August 1996, the Food and Drug Administration (the "FDA") filed in the Federal Register a Final Rule classifying tobacco as a "drug" or "medical device", asserting jurisdiction over the manufacture and marketing of tobacco products and imposing restrictions on the sale, advertising and promotion of tobacco products. Litigation was commenced challenging the legal authority of the FDA to assert such jurisdiction, as well as challenging the constitutionality of the rules. In March 2000, the United States Supreme Court ruled that the FDA does not

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have the power to regulate tobacco. Liggett supported the FDA Rule and began to phase in compliance with certain of the proposed FDA regulations.

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

In August 1996, Massachusetts enacted legislation requiring tobacco companies to publish information regarding the ingredients in cigarettes and other tobacco products sold in that state. In December 1997, the United States District Court for the District of Massachusetts enjoined this legislation from going into effect on the grounds that it is preempted by federal law. In November 1999, the First Circuit affirmed this ruling. Notwithstanding the foregoing, in December 1997, Liggett began complying with this legislation by providing ingredient information to the Massachusetts Department of Public Health. Several other states have enacted, or are considering, legislation similar to that enacted in Massachusetts.

As part of the 1997 budget agreement approved by Congress, federal excise taxes on a pack of cigarettes, which are currently 34 cents, were increased at the beginning of 2000 and will rise 5 cents more in the year 2002. In general, excise taxes and other taxes on cigarettes have been increasing. These taxes vary considerably and, when combined with sales taxes and the current federal excise tax, may be as high as \$1.88 per pack in a given locality in the United States. Congress has considered significant increases in the federal excise tax or other payments from tobacco manufacturers, and increases in excise and other cigarette-related taxes have been proposed at the state and local levels.

In June 2000, the New York state legislature passed legislation charging the state's Office of Fire Prevention and Control with developing standards for "fire safe" or self-extinguishing cigarettes. The OFPC has until July 1, 2002 to issue final regulations. Six months from the issuance of the standards, but no later than January 1, 2003, all cigarettes offered for sale in New York state will be required to be manufactured to those standards. Similar legislation is being considered by other state legislatures.

In addition to the foregoing, there have been a number of other restrictive regulatory actions, adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, the effects of which, at this time, management is not able to evaluate. These developments may negatively affect the perception of potential triers of fact with respect to the tobacco industry, possibly to the detriment of certain pending litigation, and may prompt the commencement of additional similar litigation.

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OTHER MATTERS:

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

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

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

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As of June 30, 2001, New Valley had \$5,325 of prepetition bankruptcy-related claims and restructuring accruals including claims for unclaimed monies that certain states are seeking on behalf of money transfer customers. The remaining claims may be subject to future adjustments based on potential settlements or decisions of the court.

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

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

|  | June 30,<br>2001<br>----- | December 31,<br>2000<br>----- |
|--|---------------------------|-------------------------------|
| Note payable for Western Realty              |                           |                               |
| Development Class A Interests.....           | \$19,929                  | \$19,968                      |
| Western Realty Repin participating loan..... | 38,605                    | 36,127                        |
| Other long-term liabilities.....             | 2,171                     | 5,532                         |
|  | -----                     | -----                         |
| Total  | \$60,705                  | \$61,627                      |
|  | =====                     | =====                         |

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## 13. SEGMENT INFORMATION

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

|                                   | Liggett    | Liggett-(1)<br>Ducat | Vector<br>Tobacco | Broker-(2)<br>Dealer | Real(3)<br>Estate | Corporate(3)<br>and Other | Total      |
|-----------------------------------|------------|----------------------|-------------------|----------------------|-------------------|---------------------------|------------|
|                                   | -----      | -----                | -----             | -----                | -----             | -----                     | -----      |
| Three Months Ended June 30, 2001: |            |                      |                   |                      |                   |                           |            |
| Revenues .....                    | \$ 180,533 | \$ --                | \$ --             | \$ 21,231            | \$ 2,425          | \$ --                     | \$ 204,189 |
| Operating income (loss) .....     | 33,139     | --                   | (6,782)           | (3,688)              | (711)             | (6,258)                   | 15,700     |
| Depreciation and amortization ... | 1,049      | --                   | 232               | 315                  | 648               | 478                       | 2,722      |
| Three Months Ended June 30, 2000: |            |                      |                   |                      |                   |                           |            |
| Revenues .....                    | \$ 138,560 | \$ 49,084            | \$ --             | \$ 18,300            | \$ 820            | \$ --                     | \$ 206,764 |
| Operating income (loss) .....     | 15,636     | 1,287                | (2,459)           | 163                  | (2,113)           | (2,449)                   | 10,065     |
| Depreciation and amortization ... | 1,008      | 2,619                | --                | 217                  | 330               | 8                         | 4,182      |
| Six Months Ended June 30, 2001:   |            |                      |                   |                      |                   |                           |            |
| Revenues .....                    | \$ 317,669 | \$ --                | \$ --             | \$ 40,296            | \$ 5,066          | \$ --                     | \$ 363,031 |
| Operating income (loss) .....     | 42,843     | --                   | (11,216)          | (4,052)              | (630)             | (10,438)                  | 16,507     |
| Identifiable assets .....         | 128,912    | --                   | 35,602            | 94,406               | 115,908           | 248,565                   | 623,393    |
| Depreciation and amortization ... | 2,438      | --                   | 325               | 820                  | 1,328             | 485                       | 5,396      |
| Capital expenditures .....        | 3,023      | --                   | 16,466            | 1,571                | 1,378             | 15,500                    | 37,938     |
| Six Months Ended June 30, 2000:   |            |                      |                   |                      |                   |                           |            |
| Revenues .....                    | \$ 245,462 | \$ 89,330            | \$ --             | \$ 48,596            | \$ 1,591          | \$ --                     | \$ 384,979 |
| Operating income (loss) .....     | 24,690     | 1,643                | (3,194)           | 5,046                | (4,096)           | (4,166)                   | 19,923     |
| Identifiable assets .....         | 119,699    | 170,060              | 20                | 44,573               | 58,493            | 138,085                   | 530,930    |
| Depreciation and amortization ... | 2,006      | 4,641                | --                | 437                  | 532               | 17                        | 7,633      |
| Capital expenditures .....        | 8,790      | 10,505               | --                | 289                  | 1,845             | --                        | 21,429     |

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- (1) Russian tobacco is included for the three and six months ended June 30, 2000. Western Tobacco Investments was sold on August 4, 2000.
- (2) The acquired operations of LTS are included in the Company's results of operations commencing May 7, 2001.
- (3) New Valley's interest in Western Realty Development is included in real estate operations for the 2001 periods and in corporate and other for the 2000 periods when it was accounted for on the equity method.



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

(Dollars in Thousands, Except Per Share Amounts)

INTRODUCTION

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

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

RECENT DEVELOPMENTS

**CONVERTIBLE NOTE OFFERING.** In July 2001, Vector completed the sale of \$172,500 (net proceeds of approximately \$166,400) of its 6.25% Convertible Subordinated Notes due 2008 through a private offering to qualified institutional investors in accordance with Rule 144A under the Securities Act of 1933. The notes will accrue interest at 6.25% per annum and will be convertible into Vector's common stock, at the option of the holder, at an initial conversion price of \$36.531 per share.

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

**SALE OF STOCK TO ICAHN.** On May 16, 2001, Vector entered into a stock purchase agreement with High River Limited Partnership, an investment entity owned by Carl C. Icahn, in which High River agreed to purchase for \$50,000 1,639,344 shares of Vector's common stock at a price of \$30.50 per share, the market price when negotiations with Mr. Icahn were completed. The closing of the purchase of the shares occurred on May 31, 2001.

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

**ACQUISITION OF LADENBURG THALMANN FINANCIAL SERVICES INC.** On May 7, 2001, GBI Capital Management Corp. ("GBI") acquired all of the outstanding common stock of New Valley's 80.1% subsidiary, Ladenburg Thalmann & Co. Inc. ("Ladenburg"), for 23,218,599 shares, \$10,000 cash and \$10,000 principal amount of senior convertible notes due December 31, 2005, and the name

of GBI was changed to Ladenburg Thalmann Financial Services Inc. ("LTS"). The notes bear interest at 7.5% per annum and are convertible into 4,799,271 shares of LTS common stock. Upon closing, New Valley also acquired an additional 3,945,060 shares of LTS from the former Chairman of LTS for \$1.00 per share. Following completion of the transactions, New Valley owned 53.6% and 49.5% of the common stock of LTS, an American Stock Exchange-listed company, on a basic and fully-diluted basis.

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

The information above is based on preliminary estimates of the number of shares of LTS common stock and the conversion price of the LTS notes to be issued to the former stockholders of Ladenburg and the conversion price of the LTS note issued to Frost-Nevada. The actual number of shares and the conversion prices may be further adjusted following completion of a post-closing determination of the respective changes in the adjusted net worths of Ladenburg and LTS through April 30, 2001.

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

#### RECENT DEVELOPMENTS IN LEGISLATION, REGULATION AND LITIGATION

The cigarette industry continues to be challenged on numerous fronts. New cases continue to be commenced against Liggett and other cigarette manufacturers. As of June 30, 2001, there were approximately 311 individual suits, 40 purported class actions and 117 governmental and other third-party payor health care reimbursement actions pending in the United States in which Liggett was a named defendant. In addition to these cases, during 2000, an action against cigarette manufacturers involving approximately 1,200 named individual plaintiffs was consolidated before a single West Virginia state court. Liggett is a defendant in most of the cases pending in West Virginia. Approximately 38 other purported class action complaints have been filed against the cigarette manufacturers for alleged antitrust violations. As new cases are commenced, the costs associated with defending these cases and the risks relating to the inherent unpredictability of litigation continue to increase.

An unfavorable verdict was returned in the first phase of the ENGLE smoking and health class action trial pending in Florida. In July 2000, the jury awarded \$790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the \$3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the ENGLE case, which will provide assurance to Liggett that the stay of execution, currently in effect under the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. As required by the agreement, Liggett paid \$6,273 into an escrow account to be held for the benefit of the ENGLE class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that

additional cases could be decided unfavorably and that there could be further adverse developments in the ENGLE case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met.

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

## RESULTS OF OPERATIONS

|                              | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|------------------------------|--------------------------------|------------|------------------------------|------------|
|                              | 2001                           | 2000       | 2001                         | 2000       |
| REVENUES:                    |                                |            |                              |            |
| Liggett .....                | \$ 180,533                     | \$ 138,560 | \$ 317,669                   | \$ 245,462 |
| Liggett-Ducat(1) .....       | --                             | 49,084     | --                           | 89,330     |
| Total tobacco .....          | 180,533                        | 187,644    | 317,669                      | 334,792    |
| Broker-dealer(2) .....       | 21,231                         | 18,300     | 40,296                       | 48,596     |
| Real estate(3) .....         | 2,425                          | 820        | 5,066                        | 1,591      |
| Total revenues .....         | \$ 204,189                     | \$ 206,764 | \$ 363,031                   | \$ 384,979 |
| OPERATING INCOME:            |                                |            |                              |            |
| Liggett .....                | \$ 33,139                      | \$ 15,636  | \$ 42,843                    | \$ 24,690  |
| Liggett-Ducat(1) .....       | --                             | 1,287      | --                           | 1,643      |
| Vector Tobacco .....         | (6,782)                        | (2,459)    | (11,216)                     | (3,194)    |
| Total tobacco .....          | 26,357                         | 14,464     | 31,627                       | 23,139     |
| Broker-dealer(2) .....       | (3,688)                        | 163        | (4,052)                      | 5,046      |
| Real estate(3) .....         | (711)                          | (2,113)    | (630)                        | (4,096)    |
| Corporate and other(3) ..... | (6,258)                        | (2,449)    | (10,438)                     | (4,166)    |
| Total operating income       | \$ 15,700                      | \$ 10,065  | \$ 16,507                    | \$ 19,923  |

(1) Liggett-Ducat's revenues and operating income are included through June 30, 2000.

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

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

## THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

REVENUES. Total revenues were \$204,189 for the three months ended June 30, 2001 compared to \$206,764 for the three months ended June 30, 2000. This 1.2% decrease in revenues (\$2,575) was due the absence of revenues (\$49,084) from Liggett-Ducat offset by a \$41,973 increase of revenues at Liggett, a \$2,931 increase in revenues at LTS and a \$1,605 increase in revenues from real estate operations.

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

Total tobacco revenues were \$180,533 for the three months ended June 30, 2001 compared to \$187,644 for the three months ended June 30, 2000. This 3.8% decrease in revenues was due to a loss of revenues when Liggett-Ducat was sold in August 2000 partially offset by a 30.3% increase in revenues at Liggett. Revenues at Liggett increased by \$41,973 for both the premium and discount segments due to a 38.2% increase in unit sales volume (approximately 611.1 million units), accounting for \$52,981 in favorable volume variance, and price increases of \$6,939, partially offset by an unfavorable sales mix of \$17,947.

Premium sales at Liggett for the second quarter of 2001 amounted to \$21,969 and represented 12.2% of Liggett's total sales, compared to \$14,839 and 10.7% of Liggett's sales in the second quarter of 2000. In the premium segment, revenues increased by 48.0% (\$7,130) for the three months ended June 30, 2001, compared to the prior year period, due to a favorable volume variance of \$4,549, reflecting a 30.7% increase in unit sales volume (approximately 42.0 million units), and to price increases of \$2,581.

Discount sales at Liggett (comprising the brand categories of branded discount, private label, control label, generic and international) for the three months ended June 30, 2001 amounted to \$158,564 and represented 87.8% of Liggett's total sales, compared to \$123,721 and 89.3% of Liggett's sales for the three months ended June 30, 2000. In the discount segment, revenues grew by 28.2% (\$34,843) for the three months ended June 30, 2001 compared to the prior year period, due to a 38.9% increase in unit sales volume (approximately 569.1 million units) accounting for \$48,186 in volume variance along with price increases of \$4,358, partially offset by an unfavorable product mix among the discount brand categories of \$17,701.

For the three months ended June 30, 2001, fixed manufacturing costs at Liggett on a basis comparable to 2000 were \$911 lower than in the same period in 2000, with costs per thousand units of \$1.52 per thousand declining 46.9% (\$1.34) from \$2.86 in the prior period, due to the 50.3% increase in production volume.

TOBACCO GROSS PROFIT. The Company's gross profit was \$125,928 for the three months ended June 30, 2001 representing an increase of \$23,851 when compared to the 2000 period, a period which also included the gross profit of Liggett-Ducat. Liggett's gross profit increased \$31,008 from gross profit of \$94,770 for the second quarter of 2000 primarily due to the volume and price increases and the manufacturing efficiencies discussed above.

In the second quarter of 2001, Liggett's premium brand contributed 13.6% and Liggett's discount brands contributed 86.4% to Vector's gross profit as compared with the second quarter 2000 when Liggett's premium brand contributed 10.5%, Liggett's discount brands contributed 82.5% and Liggett-Ducat contributed 7.0% of Vector's gross profit. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett increased to 87.7% for the three months ended June 30, 2001 compared to 84.6% for the same period in 2000, with gross profit for the premium segment at 90.7% and 85.8% for the second quarter 2001 and 2000, respectively, and gross profit for the discount segment at 87.3% and 84.4% for the second quarter 2001 and 2000, respectively. These increases are the result of 38.2% growth in unit sales volume (611.1 million

units), the July and December 2000 and April 2001 list price increases and improved production variances.

**BROKER-DEALER AND REAL ESTATE REVENUES.** For the three months ended June 30, 2001, LTS's revenues were \$21,231 and real estate revenues were \$2,425. LTS's revenues for the second quarter of 2001 increased \$2,931 as compared to revenues for the second quarter of 2000 primarily as a result of an increase in principal transactions offset by a decrease in corporate finance fees and in commissions. The increase in principal transactions was primarily the result of the LTS acquisition, which added an additional \$2,357 of principal transactions from the acquired operations of LTS, and the expansion of Ladenburg's trading and brokerage activities. The decrease in commissions was primarily the result of a less active market for equity securities offset by the impact of the acquisition of LTS, which provided \$4,724 of additional commission income. The decrease in corporate finance fees was primarily due to the decrease in capital markets activity for the three months ended June 30, 2001.

Revenues from the real estate operations for the second quarter of 2001 increased \$1,605 primarily due to the inclusion of the rental revenue of Western Realty Development, which became a consolidated subsidiary on December 29, 2000, offset by lower revenues as a result of the sale of one of New Valley's two U.S. shopping centers.

**EXPENSES.** Operating, selling, general and administrative expenses were \$133,852 for the three months ended June 30, 2001 compared to \$111,067 for the same period last year, an increase of \$22,785 primarily due to increased expenses at Liggett of \$13,538, increased expenses at Vector Tobacco of \$4,323, a small increase in real estate operating expenses and an increase in expenses at LTS. The increase in operating expenses at Liggett was due primarily to higher spending for promotional and marketing programs partially offset by the absence of factory relocation costs and a reduction in administrative expenses. Expenses at Vector Tobacco for the three months ended June 30, 2001 were \$6,782, compared to expenses of \$2,459 in the prior year period. The increase was attributable to increased spending for the development of Vector Tobacco's planned new OMNI and OMNI Nicotine Free products.

LTS's expenses for the second quarter of 2001 increased \$4,988 as compared to expenses for the second quarter of 2000 due primarily to increases in various brokerage and clearing expenses of \$2,047 and compensation expense of \$1,732 associated with the acquired operations of LTS.

Expenses of the real estate operations increased \$295 in the 2001 due primarily to the inclusion of the expenses of \$2,208 of Western Realty Development in 2001 offset by lower expenses as a result of the sale of one of New Valley's two U.S. shopping centers and lower expense at BrookeMil. BrookeMil incurred expenses of \$94 and \$1,672 for the three month periods ended June 30, 2001 and 2000, respectively. For the 2000 period, BrookeMil's expenses consisted primarily of accrued interest expense of \$1,277 associated with the participating loan from Western Realty Repin to BrookeMil in connection with the development of the Kremlin sites.

**OTHER INCOME (EXPENSES).** For the three months ended June 30, 2001, other income was \$219 compared to other expense of \$8,362 for the three months ended June 30, 2000.

Interest and dividend income was \$2,037 for the three months ended June 30, 2001, an increase of \$385 when compared to interest income of \$1,652 in the prior year period.

Interest expense was \$2,273 for the three months ended June 30, 2001 compared to \$11,814 for the same period last year. This decrease of \$9,541 was due to a savings of \$4,171 at corporate because of the redemption by BGLS of all of its 15.75% senior secured notes in 2000, the absence of interest expense at Brooke (Overseas) and lower interest expense at Liggett and New Valley.

Gain on the sale of investments at New Valley was \$288 compared to a gain of \$1,438 in the prior year period.

For the three months ended June 30, 2001, equity in earnings of affiliate was a loss of \$102 compared to a loss of \$1,362 for the second quarter of 2000, which was partially offset by a foreign currency gain of \$312 in the 2000 period.

INCOME FROM CONTINUING OPERATIONS. The income from continuing operations for the three months ended June 30, 2001 was \$10,992 compared to income of \$2,946 for the three months ended June 30, 2000. Income tax expense for the second quarter of 2001 was \$7,971 compared to \$640 for the second quarter of 2000. The effective tax rates for the three months ended June 30, 2001 and June 30, 2000 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses in 2001 and foreign taxes in 2000.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

REVENUES. Total revenues were \$363,031 for the six months ended June 30, 2001 compared to \$384,979 for the three months ended June 30, 2000. This 5.7% decrease in revenues (\$21,948) was due to the absence of revenues (\$89,330) from Liggett-Ducat and an \$8,300 decrease in revenues at LTS, offset by a \$72,207 increase of revenues at Liggett and a \$3,475 increase in real estate.

TOBACCO REVENUES. Total tobacco revenues were \$317,669 for the six months ended June 30, 2001 compared to \$334,792 for the six months ended June 30, 2000. This 5.1% decrease in revenues was due to a loss of revenues when Liggett-Ducat was sold in August 2000 partially offset by a 29.4% increase in revenues at Liggett. Revenues at Liggett increased by \$72,207 for both the premium and discount segments due to a 35.5% increase in unit sales volume (approximately 999.9 million units), accounting for \$87,044 in positive volume variance, and price increases of \$14,847, partially offset by an unfavorable sales mix of \$29,684.

Premium sales at Liggett for the six months ended June 30, 2001 amounted to \$36,099 and represented 11.4% of Liggett's total sales, compared to \$30,531 and 12.4% of Liggett's sales in the same period in 2000. In the premium segment, revenues increased by 18.2% (\$5,568) for the six months ended June 30, 2001, compared to the prior year period, due to a favorable volume variance of \$1,786, reflecting a 5.8% increase in unit sales volume (approximately 16.5 million units), combined with price increases of \$3,782.

Discount sales at Liggett for the six months ended June 30, 2001 amounted to \$281,570 and represented 88.6% of Liggett's total sales, compared to \$214,931 and 87.6% of Liggett's sales for the six months ended June 30, 2000. In the discount segment, revenues grew by 31.0% (\$66,639) for the six months ended June 30, 2001 compared to the prior year period, due to price increases of \$11,065, along with a 38.8% increase in unit sales volume (approximately 983.4 million units), accounting for \$83,292 in volume variance, partially offset by an unfavorable product mix among the discount brand categories of \$27,718.

For the six months ended June 30, 2001, fixed manufacturing costs at Liggett on a basis comparable to 2000 were \$425 lower than in the same period in 2000, with costs per thousand units of \$1.66 per thousand declining 35.2% (\$0.90) from \$2.56 in the prior period, due to the 45.9% increase in production volume.

TOBACCO GROSS PROFIT. Liggett's gross profit was \$222,000 for the six months ended June 30, 2001 representing an increase to the Company of \$41,650 when compared to the 2000 period, a period which also included the gross profit of Liggett-Ducat. Liggett's gross profit increased \$53,971 from gross profit of \$168,029 for the six months of 2000 primarily due to the volume and price increases and the manufacturing efficiencies discussed above.

In the first six months of 2001, Liggett's premium brand contributed 12.6% and Liggett's discount brands contributed 87.4% to Vector's gross profit as compared with the same period in 2000 when Liggett's premium brand contributed 12.2%, Liggett's discount brands contributed 81.0% and Liggett-Ducat contributed 6.8% of Vector's gross profit. As a percent of revenues (excluding federal excise taxes), gross profit at Liggett increased to 87.6% for the six months ended June 30, 2001 compared to 84.5% for the same period in 2000, with gross profit for the premium segment at 90.2% and 85.8% for the six months ended June 30, 2001 and 2000, respectively, and gross profit for the discount segment at 87.3% and 84.3% for the six months ended June 30, 2001 and 2000, respectively. These increases are the result of 35.5% growth in unit sales volume (999.9 million units), the July and December 2000 and April 2001 list price increases and improved production variances.

**BROKER-DEALER AND REAL ESTATE REVENUES.** For the six months ended June 30, 2001, LTS's revenues were \$40,296 and real estate revenues were \$5,066. LTS's revenues for the first six months of 2001 decreased \$8,300 as compared to revenues for the same period in 2000 primarily due to decreases in commissions and corporate finance fees offset by an increase in principal transactions. The increase in principal transactions was primarily the result of the LTS acquisition, which added an additional \$2,357 of principal transactions from the acquired operations of LTS, and the expansion of Ladenburg's trading and brokerage activities. The decrease in commissions was primarily the result of a less active market in equity securities offset by the impact of the acquisition of LTS, which provided \$4,724 of additional commission income. The decrease in corporate finance fees was primarily due to the decrease in capital markets activity for the six months ended June 30, 2001.

Revenues from the real estate operations for the six months ended June 30, 2001 increased \$3,475 primarily due to the inclusion of the rental revenue of Western Realty Development, which became a consolidated subsidiary on December 29, 2000, offset by lower revenues as a result of the sale of one of New Valley's two U.S. shopping centers.

**EXPENSES.** Operating, selling, general and administrative expenses were \$241,358 for the six months ended June 30, 2001 compared to \$210,812 for the same period last year, an increase of \$30,546 primarily due to increased expenses at Liggett of \$26,123, increased expenses at Vector Tobacco of \$8,022 and a small increase in real estate operating expenses offset by a decrease in expenses at LTS. The increase in operating expenses at Liggett was due primarily to higher spending for promotional and marketing programs partially offset by the absence of factory relocation costs. Expenses at Vector Tobacco for the six months ended June 30, 2001 were \$11,216, compared to expenses of \$3,194 in the prior year period. The increase was attributable to increased spending for the development of Vector Tobacco's planned new OMNI and OMNI Nicotine Free products.

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

LTS's expenses for the first six months of 2001 decreased \$2,142 as compared to expenses for the same period in 2000 due primarily to a decrease in incentive based compensation as a result of the decline in revenues, offset by increased brokerage and clearing expenses associated with the acquired operations of LTS.

Expenses of the real estate operations decreased \$1,268 in the 2001 due primarily to lower expense at BrookeMil and the sale of one of New Valley's shopping centers. BrookeMil incurred expenses of \$406 and \$3,290 for the six months ended June 30, 2001 and 2000, respectively. For the 2000 period, BrookeMil's expenses consisted primarily of accrued interest expense of \$2,873 associated with the participating loan from Western Realty Repin to BrookeMil in connection with the development of the Kremlin sites.

OTHER INCOME (EXPENSES). For the six months ended June 30, 2001, other income was \$3,114 compared to other expense of \$14,161 for the prior year period.

Interest and dividend income was \$4,219 for the six months ended June 30, 2001, an increase of \$1,037 when compared to interest income of \$3,182 in the prior year period.

Interest expense was \$3,531 for the six months ended June 30, 2001 compared to \$23,570 for the same period last year. This decrease of \$20,039 was due to a savings of \$9,601 at corporate because of the redemption by BGLS of all of its 15.75% senior secured notes in 2000, the absence of interest expense at Brooke (Overseas) and lower interest expense at Liggett and New Valley.

Gain on the sale of investments at New Valley was \$753 compared to a gain of \$6,191 in the prior year period.

For the six months ended June 30, 2001, equity in earnings of affiliate was a loss of \$102 compared to a loss of \$2,913 for the first half of 2000, which was partially offset by a foreign currency gain of \$1,535 in the 2000 period.

INCOME FROM CONTINUING OPERATIONS. The income from continuing operations for the six months ended June 30, 2001 was \$13,522 compared to income of \$3,592 for the six months ended June 30, 2000. Income tax expense for the six months ended June 30, 2001 was \$10,019 compared to \$2,314 for the prior year period. The effective tax rates for the six months ended June 30, 2001 and June 30, 2000 do not bear a customary relationship to pre-tax accounting income principally as a consequence of non-deductible expenses in 2001 and foreign taxes in 2000.

#### CAPITAL RESOURCES AND LIQUIDITY

Net cash and cash equivalents increased \$63,043 for the six months ended June 30, 2001 and increased \$12,923 for the six months ended June 30, 2000. Net cash provided by operations for the six months ended June 30, 2001 was \$3,964 compared to net cash used in operations of \$3,556 for the comparable period of 2000. Cash provided by operations for the six months ended June 30, 2001 related to net increases in accounts payable and accrued liabilities of \$13,365, noncash expenses such as depreciation and amortization (\$5,396) and stock based compensation expense (\$3,105) partially offset by a net increase in current assets of \$17,655. Cash used in the 2000 period for operating activities resulted principally from lower net income at Liggett and Liggett-Ducat and a gain on the sale of securities at New Valley offset by a reduction in debt service due to the Company's repurchase of \$150,294 of the BGLS senior secured notes.

Cash used in investing activities of \$27,678 compares to cash provided of \$1,646 for the six months ended June 30, 2001 and 2000, respectively. For the six months ended June 30, 2001, cash was used primarily for capital expenditures of \$36,560, purchase of long-term investments of \$5,717, purchase by New Valley



of subsidiary common stock of \$6,342 and payment of prepetition claims of \$2,624. These expenditures were offset primarily by \$12,811 of sales of businesses and assets including the proceeds from the sale of one of New Valley's shopping centers, sales at Liggett of a warehouse facility, machinery and equipment, and the sale or maturity of long-term investments of \$9,744. For the six months ended June 30, 2000, proceeds are primarily attributable to net sales of marketable securities and long-term investments of \$29,126 and the decrease in restricted assets of \$3,394 offset primarily by capital expenditures of \$21,429 and purchase of long-term investments and investment securities of \$5,732.

Cash provided by financing activities was \$86,757 for the six months ended June 30, 2001 compared to cash provided of \$14,966 for the six months ended June 30, 2000. In the 2001 period, proceeds from debt were \$82,132 offset by repayments on debt of \$13,037. Net repayments on the revolving credit facilities were \$19,374. In addition, cash was provided by the issuance of common stock of \$50,000 as well as the exercise of warrants and options of \$12,586. This was offset by distributions on common stock of \$21,998 and decreases of \$2,536 in margin loans payable and cash overdraft. Cash was provided in the 2000 period primarily through net borrowings under credit facilities of \$24,312 and an increase in margin loans payable of \$4,414. These amounts were offset by net repayments on debt of \$3,584 and distributions on common stock of \$10,869.

LIGGETT. Liggett has a \$35,000 credit facility under which \$0 was outstanding at June 30, 2001. Availability under the facility was approximately \$27,417 based on eligible collateral at June 30, 2001. The facility is collateralized by all inventories and receivables of Liggett. Borrowings under the facility, whose interest is calculated at a rate equal to 1.0% above First Union's (the indirect parent of Congress Financial Corporation, the lead lender) prime rate, bore a rate of 7.0% at June 30, 2001. The facility requires Liggett's compliance with certain financial and other covenants including a restriction on the payment of cash dividends unless Liggett's borrowing availability under the facility for the 30-day period prior to the payment of the dividend, and after giving effect to the dividend, is at least \$5,000. In addition, the facility, as amended, imposes requirements with respect to Liggett's adjusted net worth (not to fall below \$8,000 as computed in accordance with the agreement) and working capital (not to fall below a deficit of \$17,000 as computed in accordance with the agreement). At June 30, 2001, Liggett was in compliance with all covenants under the credit facility; Liggett's adjusted net worth was \$30,918 and net working capital was \$22,006, as computed in accordance with the agreement. The facility expires on March 8, 2003 subject to automatic renewal for an additional year unless a notice of termination is given by the lender at least 60 days prior to the anniversary date.

During 1999, 100 Maple Lane LLC, a new company formed by Liggett to purchase an industrial facility in Mebane, North Carolina, borrowed \$5,040 from the lender under Liggett's credit facility, of which \$3,960 was outstanding at June 30, 2001. In July 2001, Liggett borrowed an additional \$2,340 under the loan. In addition, the lender extended the term of the loan so that it is payable in 59 monthly installments of \$75 including annual interest at 1% above the prime rate with a final payment of \$1,875. Liggett has guaranteed the loan, and a first mortgage on the Mebane property collateralizes the Maple Lane loan and Liggett's credit facility. Liggett completed the relocation of its manufacturing operations to this facility in October 2000.

In January 1999, Liggett purchased equipment for \$5,750 and borrowed \$4,500 to fund the purchase, of which \$3,690 was outstanding at June 30, 2001. The loan, which was collateralized by the equipment and guaranteed by BGLS and the Company, was payable in 60 monthly installments of \$56 including annual interest of 7.67% with a final payment of \$2,550. The loan was repaid in July 2001 in connection with the sale of the equipment. In March 2000, Liggett purchased equipment for \$1,000 under a capital lease which is payable in 60 monthly installments of \$21 with an effective annual interest rate of 10.14%. In April 2000, Liggett purchased equipment for \$1,071 under two capital leases which are payable in 60 monthly installments of \$22 with an effective interest rate of 10.20%.

Liggett (and, in certain cases, Brooke Group Holding, Vector's predecessor and a wholly-owned subsidiary of BGLS) and other United States cigarette manufacturers have been named as defendants in a number of direct and third-party actions (and purported class actions) predicated on the theory that they should be liable for damages from cancer and other adverse health effects alleged to have been caused by cigarette smoking or by exposure to so-called secondary smoke from cigarettes. Vector believes, and has been so advised by counsel handling the respective cases, that Brooke Group Holding and Liggett have a number of valid defenses to claims asserted against them. Litigation is subject to many uncertainties. An unfavorable verdict was returned in the first phase of the Engle smoking and health class action trial pending in Florida. In July 2000, the jury awarded \$790,000 in punitive damages against Liggett in the second phase of the trial, and the court entered an order of final judgment. Liggett intends to pursue all available post-trial and appellate remedies. If this verdict is not eventually reversed on appeal, or substantially reduced by the court, it will have a material adverse effect on Vector. Liggett has filed the \$3,450 bond required under recent Florida legislation which limits the size of any bond required, pending appeal, to stay execution of a punitive damages verdict. On May 7, 2001, Liggett reached an agreement with the class in the Engle case, which will provide assurance to Liggett that the stay of execution, currently in effect pursuant to the Florida bonding statute, will not be lifted or limited at any point until completion of all appeals, including to the United States Supreme Court. The agreement calls for the payment by Liggett of \$6,273 into an escrow account to be held for the benefit of the Engle class, and released, along with Liggett's existing \$3,450 statutory bond, to the court for the benefit of the class upon completion of the appeals process, regardless of the outcome of the appeal. It is possible that additional cases could be decided unfavorably and that there could be further adverse developments in the Engle case. Management cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. An unfavorable outcome of a pending smoking and health case could encourage the commencement of additional similar litigation. In recent years, there have been a number of adverse regulatory, political and other developments concerning cigarette smoking and the tobacco industry. These developments generally receive widespread media attention. Neither Vector nor Liggett is able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation or regulation. See Note 11 to Vector's consolidated financial statements.

Management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of the cases pending against Brooke Group Holding or Liggett or the costs of defending such cases. It is possible that Vector's consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

**VECTOR RESEARCH.** In February 2001, a subsidiary of Vector Research Ltd. purchased equipment for \$15,500 and borrowed \$13,175 to fund the purchase, of which \$13,055 was outstanding at June 30, 2001. The loan, which is collateralized by the equipment and a letter of credit from Vector for \$775, is guaranteed by Vector Research, BGLS and Vector. The loan is payable in 120 monthly installments of \$125 including annual interest of 7.78% with a final payment of \$6,125.

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

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

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

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

VECTOR. Vector believes that it will continue to meet its liquidity requirements through 2001. Corporate expenditures (exclusive of Liggett and New Valley) over the next twelve months for current operations include cash interest expense of approximately \$6,000 (an estimated \$17,000 after giving effect to the BGLS private placement and the Vector offering of convertible notes), dividends on Vector's shares (currently at an annual rate of approximately \$47,000) and corporate expenses. Vector anticipates funding its expenditures for current operations with available cash resources, the proceeds from the public and/or private debt and equity financing, management fees from subsidiaries and tax sharing and other payments from Liggett or New Valley. New Valley may acquire or seek to acquire additional operating businesses through merger, purchase of assets, stock acquisition or other means, or to make other investments, which may limit its ability to make such distributions.

During the second quarter of 2001, Vector issued approximately 3,700,000 shares of its common stock in connection with the sale of common stock to an investment entity owned by Carl C. Icahn and on exercise of warrants and options by other persons and entities. Vector received proceeds of approximately \$62,500 from these issuances of common stock.

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

#### MARKET RISK

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

#### FOREIGN MARKET RISK

BrookeMil's and Western Realty Development's operations are conducted in Russia. The Russian Federation continues to experience economic difficulties following the financial crisis

of August 1998. Consequently, the country's currency continues to devalue, there is continued volatility in the debt and equity markets, hyperinflation persists, confidence in the banking sector has yet to be restored and there continues to be a general lack of liquidity in the economy. In addition, laws and regulations affecting businesses operating within the Russian Federation continue to evolve.

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

#### DOMESTIC MARKET RISK

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

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

**EQUITY PRICE RISK.** LTS maintained inventories of trading securities at June 30, 2001 with fair values of \$12,628 in long positions and \$7,876 in short positions. LTS performed an entity-wide analysis of its financial instruments and assessed the related risk and materiality. Based on this analysis, in the opinion of management the market risk associated with the LTS's financial instruments at June 30, 2001 will not have a material adverse effect on the consolidated financial position or results of operations of Vector.

New Valley held investment securities available for sale totaling \$24,906 at June 30, 2001. Adverse market conditions could have a significant effect on the value of New Valley's investments.

New Valley also holds long-term investments in limited partnerships and limited liability companies. These investments are illiquid, and their ultimate realization is subject to the performance of the investee entities.

#### NEW ACCOUNTING PRONOUNCEMENTS

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

During 2000, the Emerging Issues Task Force issued EITF No. 00-14, "Accounting for Certain Sales Incentives", EITF Issue No. 00-14 addresses the recognition, measurement and statement of earnings classification for certain sales incentives and will be effective in the first quarter of 2002. As a result, certain items previously included in operating, selling, general and administrative expense in the consolidated statement of earnings will be recorded as a reduction of operating revenues. Vector has determined that the impact of adoption or subsequent application

of EITF Issue No. 00-14 will not have a material effect on its consolidated financial position or results of operations. Upon adoption, prior period amounts, which are not expected to be significant, will be reclassified to conform to the new requirements.

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services." EITF Issue No. 00-25 requires that certain expenses included in marketing, administration and research costs be recorded as a reduction of operating revenues and will be effective in the first quarter of 2002. The Company is currently in the process of determining the impact of EITF Issue No. 00-25.

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

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Results actually achieved may differ materially from expected results included in these forward-looking statements as a result of these or other factors. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

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

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

## PART II

## OTHER INFORMATION

## Item 1. LEGAL PROCEEDINGS

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

## Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

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

## Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the second quarter of 2001, the Company submitted the following matters to a vote of stockholders at its Annual Meeting of Stockholders held on June 4, 2001. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

The matters voted upon at the Annual Meeting were the election of five directors and the following is a tabulation of the results:

Total shares of common stock outstanding as of April 17, 2001 (the record date) - 25,667,018

Total shares of common stock voted in person or by proxy - 22,924,815

## Election of Directors:

|                   | For<br>----- | Withhold<br>----- |
|-------------------|--------------|-------------------|
| Robert J. Eide    | 22,913,625   | 11,190            |
| Bennett S. LeBow  | 22,913,368   | 11,447            |
| Howard M. Lorber  | 22,913,625   | 11,190            |
| Jeffrey S. Podell | 22,913,625   | 11,190            |
| Jean E. Sharpe    | 22,913,625   | 11,190            |

## Item 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) EXHIBITS

- \* 10.1 Note Purchase Agreement, dated as of May 14, 2001, between BGLS Inc. and TCW Leveraged Income Trust, L.P., TCW Leveraged Income Trust II, L.P., TCW LINC II CBO Ltd., POWRs 1997-2, Captive II Finance Ltd. and AIMCO CDO, Series 2000-A (the "Purchasers"), relating to the 10% Senior Secured Notes due March 31, 2006 (the "Notes"), including the form of Note (the "Note Purchase Agreement") (incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated May 14, 2001).
- \* 10.2 Collateral Agency Agreement, dated as of May 14, 2001, by and among BGLS Inc., Brooke Group Holding Inc., Vector Group Ltd., New Valley Holdings, Inc., United States Trust Company of New York, as collateral agent for the benefit of the holders of the Notes pursuant to the Note Purchase Agreement (the "Collateral Agent"), and the Purchasers (incorporated by reference to Exhibit 10.2 in the Company's Form 8-K dated May 14, 2001).
- \* 10.3 Pledge and Security Agreement, dated as of May 14, 2001 between BGLS Inc. and the Collateral Agent (incorporated by reference to Exhibit 10.3 in the Company's Form 8-K dated May 14, 2001).
- \* 10.4 Pledge and Security Agreement, dated as of May 24, 2001, between New Valley Holdings, Inc. and the Collateral Agent (incorporated by reference to Exhibit 10.4 in the Company's Form 8-K dated May 14, 2001).
- \* 10.5 Pledge and Security Agreement, dated as of May 14, 2001, between Brooke Group Holding Inc. and the Collateral Agent (incorporated by reference to Exhibit 10.5 in the Company's Form 8-K dated May 14, 2001).
- \* 10.6 Acknowledgment and Pledge Agreement, dated as of May 14, 2001, between Vector Group Ltd. and the Collateral Agent (incorporated by reference to Exhibit 10.6 in the Company's Form 8-K dated May 14, 2001).
- \* 10.7 Account Control Agreement, dated as of May 14, 2001, between BGLS Inc., Bank of America, N.A. and the Collateral Agent (incorporated by reference to Exhibit 10.7 in the Company's Form 8-K dated May 14, 2001).
- \* 10.8 Stock Purchase Agreement, dated May 16, 2001, between High River Limited Partnership and Vector Group Ltd. (incorporated by reference to Exhibit 10.8 in the Company's Form 8-K dated May 14, 2001).
- 99.1 Material Legal Proceedings.
- \* 99.2 New Valley Corporation's Interim Consolidated Financial Statements for the quarterly periods ended June 30, 2001 and 2000 (incorporated by reference to New Valley's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001, Commission File No. 1-2493).

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\* Incorporated by reference

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(b) REPORTS ON FORM 8-K

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

| Date          | Items | Financial Statements |
|---------------|-------|----------------------|
| ----          | ----  | -----                |
| May 14, 2001  | 5, 7  | None                 |
| June 29, 2001 | 5, 7  | None                 |



SIGNATURES

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

VECTOR GROUP LTD.  
(REGISTRANT)

By: /s/ Joselynn D. Van Siclen

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Joselynn D. Van Siclen  
Vice President and Chief  
Financial Officer

Date: August 14, 2001

## I. GOVERNMENTAL HEALTH CARE RECOVERY ACTIONS

THE NAVAJO NATION V. PHILIP MORRIS, INCORPORATED, ET AL., Case No. WR-CV-449-99, District Court of the Navajo Nation, Judicial District of Window Rock, Arizona (case filed 8/11/99). The Navajo nation seeks civil penalties, damages, remediation through tobacco education and anti-addiction programs, injunctive relief, attorney's fees and cost.

PEOPLE OF THE STATE OF CALIFORNIA, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC194217, Superior Court of California, County of Los Angeles (case filed 7/14/98). People seek injunctive relief and economic reimbursement with respect to damages allegedly caused by environmental tobacco smoke (ETS).

PECHANGA BAND OF LUISENO MISSION INDIANS, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 725419, Superior Court of California, County of San Diego (case filed 10/30/98). This personal injury class action is brought on behalf of plaintiff tribe and all similarly situated American Indian smokers resident in California.

PEOPLE OF THE STATE OF CALIFORNIA, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 980-864, Superior Court of California, County of San Francisco (case filed 8/5/98). People seek injunctive relief and economic reimbursement with respect to damages allegedly caused by environmental tobacco smoke (ETS).

REPUBLIC OF GUATEMALA V. THE TOBACCO INSTITUTE, INC., ET AL., Case No. 1:98CV01185, USDC, District of Columbia (case filed 5/18/98). The Republic of Guatemala seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

UKRAINE V. AMERICAN BRANDS, ET AL., Case No. 1:99CV03080, USDC, District of Columbia (case filed 11/19/99). Ukraine seeks compensatory and injunctive relief for damages incurred by the country in paying for the healthcare expenses of resident smokers.

UNITED STATES OF AMERICA V. PHILIP MORRIS, INC., ET AL., Case No. 1:99CV02496, USDC, District of Columbia (case filed 9/22/99). The United States of America seeks to recover health care costs paid for and furnished, and to be paid for and furnished, by the federal government through Medicare and otherwise, for lung cancer, heart disease, emphysema and other tobacco-related illnesses. In October 2000, the District Court dismissed the government's claims pursuant to the Medicare Secondary Payor Act and the Medical Cost Recovery Act, but denied motions to dismiss RICO claims.

CITY OF BELFORD ROXO, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No.01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belford Roxo seeks compensatory and injunctive relief for damages for personal

injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF BELIZE V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-8320-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 4/5/01). The Republic of Belize seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products.

REPUBLIC OF BELIZE V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10922 CA 10 Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/01). The Republic of Belize seeks reimbursement for damages, injunctive and declaratory relief to recover lost tobacco duties and taxes.

CITY OF BELO HORIZONTE, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10920-CA-04, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Belo Horizonte seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF CARAPICUBIA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10910-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Carapicuba seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF DUQUE DE CAXIAS, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10917-CA-13, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Duque De Caxias seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF ECUADOR V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-1951-CA-27, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/21/00). The Republic of Ecuador seeks reimbursement of the funds expended on behalf of those injured by and addicted to tobacco products.

REPUBLIC OF ECUADOR V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-04653-CA-10, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County. The Republic of Ecuador seeks to recover damages suffered by Ecuador, due to alleged misconduct of Defendants, specifically loss of taxes and violations to Florida RICO Acts.

REPUBLIC OF ECUADOR V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-13920-CA-10, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 2/23/01). The Republic of Ecuador seeks to recover damages suffered by Ecuador, due to alleged misconduct of Defendants, specifically loss of taxes and violations to Florida RICO Acts.

THE STATE OF ESPIRITO SANTO, BRAZIL V. BROOKE GROUP LTD., ET AL., Case No. 00-07472-CA- 03, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County. The State of Espirito Santo, Brazil seeks reimbursement for all costs and damages incurred by the State.

THE STATE OF GOIAS, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 99-24202-CA 02, Circuit Court of the 11th Judicial Circuit, State of Florida-Dade County (case filed 10/19/99). The State of Goias, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF HONDURAS V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10921 CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/01). The Republic of Honduras seeks reimbursement for damages, injunctive and declaratory relief to recover lost tobacco duties and taxes.

CITY OF JOAO PESSOA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10919-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Joao Pessoa seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF JUNDIAI, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10924-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Jundiai seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE KYRGYZ REPUBLIC V. THE BROOKE GROUP LTD., ET AL., Case No. 01-01740 CA-25, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Kyrgyz Republic seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF MAGE, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Mage seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF MATO GROSSO DO SUL , BRAZIL, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Circuit Court of the 11th Judicial Circuit, Florida, Dade County (case filed 7/19/00). The State of Mato Grasso do Sul, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF NILOPOLIS - RJ, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10916-CA-01, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Nilopolis seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF NOVA IGUACU - RJ, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10909-CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Nova Iguacu seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PARA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10925-CA-23, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Para seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PARANA, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10908-CA-02, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Parana seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF PIAUI, BRAZIL V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 00-32238 CA 30, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 12/13/00). The State of Piaui, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF RIO DE JANEIRO, BRAZIL V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10911-CA-10, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Rio De Janeiro seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF RONDONIA, BRAZIL V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 01-10907-CA-09, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The State of Rondonia seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE RUSSIAN FEDERATION , ET AL. V. PHILIP MORRIS COMPANIES, INC, ET AL., Case No. 00-20918 CA 24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 8/28/00). The Russian Federation seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

CITY OF SAO BERNARDO DO CARMPPO, BRAZIL V, PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 01-10918-CA-11, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County (case filed 5/8/2001). The City of Sao Bernardo Do Carmpo seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF TAJIKISTAN V. THE BROOKE GROUP LTD., ET AL., Case No. 01-01736 CA-24, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The Republic of Tajikistan seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

THE STATE OF TOCANTINS, BRAZIL, ET AL. V. THE BROOKE GROUP LTD., INC., ET AL., Case No. 00-28101 CA 05, Circuit Court of the 11th Judicial Circuit, Florida, Miami-Dade County. The State of Tocantins, Brazil seeks compensatory and injunctive relief for damages for personal injuries and misrepresentation of risk regarding the use of tobacco products manufactured by defendants.

REPUBLIC OF VENEZUELA V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 99-01943-CA-01, Circuit Court of the 11th Judicial Circuit, State of Florida, Miami-Dade County (case filed 1/27/99). The Republic of Venezuela seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the Medicaid expenses of indigent smokers.

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

COUNTY OF MCHENRY, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 00L 007949, Circuit Court, Cook County, Illinois (case filed 7/13/00). County of McHenry seeks monetary damages, civil penalties, declaratory and injunctive relief, restitution, and disgorgement of profits

REPUBLIC OF PANAMA V. THE AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. 98-17752, Civil District Court, State of Louisiana, Orleans Parish (case filed 10/20/98). The Republic of Panama seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

THE STATE OF SAO PAULO V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 20 00-02058, Civil District Court, Louisiana, Parish of Orleans (case filed 2/9/00). The State of Sao Paulo seeks reimbursement of the funds expended on behalf of those injured by and addicted to Defendants's tobacco products.

COUNTY OF WAYNE V. PHILIP MORRIS INCORPORATED, ET AL., USDC, Eastern District, Michigan., County of Wayne seeks to obtain damages, remediation through tobacco education and anti-addiction programs, injunctive relief, attorneys' fees and costs.

CITY OF ST. LOUIS, ET AL. V. AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. CV-982-09652, Circuit Court, State of Missouri, City of St. Louis, (case filed 12/4/98). City of St. Louis and area hospitals seek to recover past and future costs expended to provide healthcare to Medicaid, medically indigent, and non-paying patients suffering from tobacco-related illnesses.

COUNTY OF ST. LOUIS, MISSOURI V. AMERICAN TOBACCO COMPANY, INC., ET AL., Case No. 982-09705, Circuit Court, State of Missouri, City of St. Louis, (case filed 12/10/98). County seeks to recover costs from providing healthcare services to Medicaid and indigent patients, as part of the State of Missouri's terms as a party to the Master Settlement Agreement.

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, THE MINISTER OF HEALTH AND LONG TERM CARE V. IMPERIAL TOBACCO LIMITED, ET AL., Case No. 00CIV1593, USDC, Southern District of New York. Plaintiff brings this federal civil RICO action for the purpose of obtaining recoupment of its tobacco-related health cost, as well as such other relief as will afford a full and complete remedy.

THE SISSETON-WAHPETON SIOUX TRIBE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 030399, Tribal Court of the Sisseton-Wahpeton Sioux Tribe, State of North Dakota (case filed 2/3/99). Indian tribe seeks equitable and injunctive relief for damages incurred by the tribe in paying for the expenses of indigent smokers. -

REPUBLIC OF NICARAGUA V. LIGGETT GROUP INC., ET AL., Case No. 98-2380 RLA, USDC, District of Puerto Rico (case filed 12/10/98). The Republic of Nicaragua seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

THE CROW CREEK SIOUX TRIBE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. CV 97-09-082, Tribal Court of The Crow Creek Sioux Tribe, State of South Dakota (case filed 9/26/97). Indian tribe seeks equitable and injunctive relief for damages incurred by the tribe in paying for the expenses of indigent smokers.

ALABAMA COUSHATTA TRIBE OF TEXAS, THE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 1: 00CV-596, USDC, Texas, Eastern District (case filed 8/30/2000). The Tribe seeks to have the tobacco companies' liability to the Tribe judicially recognized and to restore to the tribe those funds spent for smoking-attributable costs by the Tribe itself and the various State and Federal health services

REPUBLIC OF BOLIVIA V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 6949\*JG99, District Court, State of Texas, Brazoria County, State of Texas (case filed 1/20/99). The Republic of Bolivia seeks compensatory and injunctive relief for damages incurred by the Republic in paying for the medicaid expenses of indigent smokers.

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

## II. THIRD-PARTY PAYOR ACTIONS

UNITED FOOD AND COMMERCIAL WORKERS UNIONS, ET AL. V. PHILIP MORRIS, ET AL., Case No. CV-97-1340, Circuit Court of Tuscaloosa, Alabama (case filed 11/13/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

LABORERS' AND OPERATING ENGINEERS UTILITY AGREEMENT V. PHILIP MORRIS, ET AL., Case No. CIV97-1406 PHX, USDC, District of Arizona (case filed 7/29/97). Health and Welfare Trust Fund seeks injunctive relief and



economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

ARKANSAS CARPENTERS HEALTH & WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. LR-C-97-0754, USDC, Eastern District of Arkansas (case filed 9/4/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

FIBREBOARD CORPORATION, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 791919-8, Superior Court of California, County of Alameda (case filed 11/10/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

NORTHERN CALIFORNIA GENERAL TEAMSTERS SECURITY FUND, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 798492-9, Superior Court of California, County of Alameda (case filed 5/22/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

NORTHERN CALIFORNIA TILE INDUSTRY HEALTH & WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 996822, Superior Court of California, County of San Francisco (case filed 5/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

PIPE TRADES DISTRICT COUNCIL NO. 36 HEALTH AND WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 797130-1, Superior Court of California, County of Alameda (case filed 4/16/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

SCREEN ACTORS GUILD - PRODUCERS HEALTH PLAN, ET AL. V. PHILIP MORRIS, ET AL., Case No. DC181603, Superior Court of California, County of Los Angeles (case filed 11/20/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

SIGN, PICTORIAL AND DISPLAY INDUSTRY WELFARE FUND V. PHILIP MORRIS, INC., ET AL., Case No. 994403, Superior Court of California, County of San Francisco (case filed 4/16/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended

by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

STATIONARY ENGINEERS LOCAL 39 HEALTH & WELFARE TRUST FUND V. PHILIP MORRIS, ET AL., Case No. C-97-1519-DLJ, USDC, Northern District of California (case filed 4/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

TEAMSTERS BENEFIT TRUST V. PHILIP MORRIS, ET AL., Case No. 796931-5, Superior Court of California, County of Alameda (case filed 4/20/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UA LOCAL NO. 159 HEALTH AND WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 796938-8, Superior Court of California, County of Alameda (case filed 4/15/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UA LOCAL NO. 343 HEALTH AND WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 796956-4, Superior Court of California, County of Alameda. Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UA LOCAL NO. 393 HEALTH AND WELFARE TRUST FUND V. PHILIP MORRIS, INC., ET AL., Case No. 798474-3, Superior Court of California, County of Alameda (case filed 5/21/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

HOLLAND, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 1:98CV01716, USDC, District of Columbia (case filed 7/9/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

OBRA SOCIAL DEL PERSONAL, ET AL. V. AMERICAN TOBACCO CO., INC., ET AL., Case No. 01-0002279, Superior Court, District of Columbia (case filed 3/23/2001). Labor unions seeking reimbursement for damages for medical and other relief, allegedly are attributable to the tobacco companies.

S.E.I.U. LOCAL 74 WELFARE FUND, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 1:98CV01569, USDC, District of Columbia (case filed 6/22/98). Health and Welfare Trust Fund seeks injunctive relief and economic

reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

SERVICE EMPLOYEES INTERNATIONAL UNION HEALTH AND WELFARE TRUST FUND, ET AL. V. PHILIP MORRIS, INC. ET al., Case No. 1:98CV00704, USDC, District of Columbia (case filed 3/19/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

SHEET METAL WORKERS TRUST FUND, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 1:99CV02326, USDC, District of Columbia (case filed 8/31/99). Sheet Metal Workers Trust Fund seeks to obtain injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to their participants and beneficiaries suffering from smoking-related illnesses.

RAYMARK INDUSTRIES, INC. V. BROWN & WILLIAMSON, ET AL., Case No. 1:97-CV-2711-RCF, USDC, Northern District of Georgia (case filed 11/5/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

ARKANSAS BLUE CROSS AND BLUE SHIELD, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 98 C 2612, USDC, Northern District of Illinois (case filed 5/22/98). Seven Blue Cross/Blue Shield plans seek injunctive relief and economic reimbursement to recover moneys expended by healthcare plans to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

CENTRAL ILLINOIS LABORERS HEALTH & WELFARE TRUST FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-L516, USDC, Southern District of Illinois (case filed 5/22/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

CENTRAL STATES JOINT BOARD HEALTH & WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. 97L12855, USDC, Northern District of Illinois (case filed 10/30/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

INTERNATIONAL BROTHERHOOD OF TEAMSTERS, LOCAL 734 HEALTH & WELFARE TRUST FUND V. PHILIP MORRIS, ET AL., Case No. 97L12852, USDC, Northern District of Illinois (case filed 10/30/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover

moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

TEAMSTERS UNION NO. 142, ET AL. V. PHILIP MORRIS, ET AL., Case No. 71C019709CP01281, USDC, Northern District of Indiana (case filed 9/15/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Union Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

CARPENTERS & JOINERS WELFARE FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 60,633-001, USDC, District of Minnesota (case filed 12/31/97). Health and Welfare Trust Plan seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

GROUP HEALTH PLAN, INC., ET AL. V. PHILIP MORRIS, ET AL., Case No. 98-1036 DSD/JMM, USDC, Second Judicial District, Ramsey County, State of Minnesota (case filed 3/13/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

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

ASBESTOS CLAIMS MANAGEMENT CORPORATION, ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-85, Circuit Court, Mississippi, Claiborne County (case filed 4/18/2001). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

COMBUSTION ENGINEERING, INC., ET AL. V. RJR NABISCO, ET AL., Case No. 2000-617, Circuit Court, Mississippi, Jefferson County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

COMBUSTION ENGINEERING, INC., ET AL. V. RJR NABISCO, ET AL., Case No. 2001-86, Circuit Court, Mississippi, Claiborne County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

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

GASKET HOLDINGS, ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-065, Circuit Court, Mississippi, Claiborne County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

KAISER ALUMINUM & CHEMICAL CORPORATION, ET AL V. RJR NABISCO, ET AL., Case No. 2000-615, Circuit Court of Mississippi, Jefferson County (case filed 12/15/00). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

OWENS-ILLINOIS, INC. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 00-0077, Circuit Court, Mississippi, Sharkey County (case filed 4/9/01). Manufacture seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

T & N, LTD., ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2000-68, Circuit Court, Mississippi, Jefferson County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

T & N, LTD., ET AL. V. RJR NABISCO, INC., ET AL., Case No. 2001-87, Circuit Court, Mississippi, Claiborne County (case filed 4/18/01). Manufacturing and individuals plaintiffs seek recovery of compensatory and punitive damages for injuries caused wholly or in substantial part by tobacco products.

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

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

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

CONSTRUCTION LABORERS OF GREATER ST. LOUIS WELFARE FUND, Case No. 4:97CV02030ERW, USDC, Eastern District of Missouri (case filed 12/1/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

CONTRACTORS, LABORERS, TEAMSTERS & ENGINEERS HEALTH & WELFARE PLAN V. PHILIP MORRIS, INC. ET AL., Case No. 8:98CV364, USDC, District of Nebraska (case filed 8/17/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

BERGERON, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. CV 99 6142, USDC, State of New York, Eastern District (case filed 10/8/99). This action seeks is brought on behalf of the trustees and fiduciaries of the Massachusetts State Carpenters Health and Benefits Funds on behalf of themselves and other similarly situated trustees of Taft Hartley Health & Welfare funds.

BETRIEBSKRANKENKASSE AKTIV, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. CV 00 5413, USDC, New York, Eastern District (case filed 9/8/2000). Eight German health insurance provider seeks injunctive relief and economic reimbursement to recover moneys expended for treatments of tobacco related diseases.

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

DAY CARE COUNCIL-LOCAL 205 D.C. 1707 WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. 606240/97, Supreme Court of New York, New York County (case filed 12/4/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

EASTERN STATES HEALTH AND WELFARE FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 603869/97, Supreme Court of New York, New York County (case filed 7/28/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to

provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

IBEW LOCAL 25 HEALTH AND BENEFIT FUND V. PHILIP MORRIS, ET AL., Case No. 122255/97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

IBEW LOCAL 363 WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. 122254/97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

KEENE CREDITORS TRUST V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case no. 606479/97, Supreme Court of New York, New York County (case filed 12/19/97). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

LABORERS' LOCAL 17 HEALTH BENEFIT FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 98-7944, 2nd Circuit Court of Appeals, State of New York (case filed 7/17/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and benefactors suffering from smoking-related illnesses.

LOCAL 1199 HOME CARE INDUSTRY BENEFIT FUND V. PHILIP MORRIS, ET AL., Case No. 606249/97, Supreme Court of New York, New York County (case filed 12/4/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

LOCAL 1199 NATIONAL BENEFIT FUND FOR HEALTH & HUMAN SERVICES EMPLOYEES V. PHILIP MORRIS, ET AL., Case No. 606241/97, Supreme Court of New York, New York County (case filed 12/4/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

LOCAL 138, 138A & 138B INTERNATIONAL UNION OF OPERATING ENGINEERS WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. 122257/97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

LOCAL 840 INTERNATIONAL BROTHERHOOD OF TEAMSTERS HEALTH & INSURANCE FUND V. PHILIP MORRIS, ET AL., Case No. 122256/97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

LONG ISLAND REGIONAL COUNCIL OF CARPENTERS WELFARE LOCAL 840 INTERNATIONAL BROTHERHOOD OF TEAMSTERS HEALTH & INSURANCE FUND V. PHILIP MORRIS, ET AL., Case No. 122258/97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

NATIONAL ASBESTOS WORKERS MEDICAL FUND, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 98-1492, USDC, Eastern District of New York (case filed 3/23/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

PUERTO RICAN ILGWU HEALTH & WELFARE FUND V. PHILIP MORRIS, ET AL., Case No. 604785-97, Supreme Court of New York, New York County (case filed 11/25/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

RAYMARK INDUSTRIES, INC. V. BROWN & WILLIAMSON, ET AL., Case No. 98-CV-675, USDC, Eastern District of New York (case filed 5/21/98). Asbestos company seeks reimbursement for damages paid to asbestos victims for medical and other relief, which damages allegedly are attributable to the tobacco companies.

UNITED FEDERATION OF TEACHERS WELFARE FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-CIV-4676, USDC, Southern District of New York (case filed 7/17/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

UNR ASBESTOS-DISEASE CLAIMS TRUST V. BROWN & WILLIAMSON, ET AL., Case No. 105152/99, Supreme Court of the State of New York, New York County (case filed 3/15/99). The Trust brings this action to recover contribution, indemnity and/or reimbursement from the tobacco defendants.

STEAMFITTERS LOCAL UNION NO. 420 WELFARE FUND, ET AL. V. PHILIP MORRIS, INC, ET AL., Case No. 97-CV-5344, USDC, Eastern District of Pennsylvania (case filed 10/7/97). Health and Welfare Trust Fund seeks



injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

TEXAS CARPENTERS HEALTH BENEFIT FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 1:97C0625, USDC, Eastern District of Texas (case filed 11/7/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

REGENGE BLUESHIELD, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. C98-559R, USDC, Western District of Washington (case filed 4/29/98). Blue Cross/Blue Shield plans seek injunctive relief and economic reimbursement to recover moneys expended by healthcare plans to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

WEST VIRGINIA LABORERS' PENSION TRUST FUND V. PHILIP MORRIS, ET AL., Case No. 397-0708, USDC, Southern District of West Virginia (case filed 8/27/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

WEST VIRGINIA - OHIO VALLEY AREA I.B.E.W., ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-C-2135, USDC, Southern District of West Virginia (case filed 9/19/97). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

MILWAUKEE CARPENTERS' DISTRICT COUNCIL HEALTH FUND, ET AL. V. PHILIP MORRIS, ET AL., Case No. 98CV002394, Circuit Court of Wisconsin, Milwaukee County (case filed 3/30/98). Health and Welfare Trust Fund seeks injunctive relief and economic reimbursement to recover moneys expended by Fund to provide medical treatment to its participants and beneficiaries suffering from smoking-related illnesses.

### III. CLASS ACTION CASES

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

HANSEN, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LR-C-96-881, USDC, Eastern District of Arkansas (case filed 4/4/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Arkansas.

BROWN, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 711400, Superior Court of California, County of San Diego (case filed 10/1/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in California.

SMOKERS FOR FAIRNESS, LLC, ET AL. V. THE STATE OF CALIFORNIA, ET AL., Case No. 7076751, Superior Court of California, County of San Diego (case filed 9/25/98). Plaintiffs bring this putative class action on behalf of all similarly situated adult smokers resident in the State of California.

ARNITZ, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Circuit Court of the 13th Judicial Circuit, Hillsborough County, Florida (case filed 6/30/00). Plaintiffs are seeking class action representation, similarly to ENGLE, with the exception that this class action applies to class members diagnosed after July 15, 1997 with lung cancer, throat cancer or cancer of the oral cavity.

SIMS, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 1:01CV01107, USDC, District of Columbia (case filed 5/23/01). Plaintiffs bring this class action is brought to recover the purchase price paid by plaintiffs and class members while they were under age through the use of fraud, deception, misrepresentation and other activities constituting racketeering, in violation of federal law.

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

CANTER, ET AL., V. THE AMERICAN TOBACCO COMPANY, ET AL., (f/k/a PETERSON) Case No. 97-0490-02, First Circuit Court of the First Circuit, State of Hawaii (case filed 2/6/97, 9/5/2000). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Hawaii.

CLAY, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 97-4167-JPG, USDC, Southern District of Illinois (case filed 5/22/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in 34 states.

CLEARY, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 98 L06427, Circuit Court of the State of Illinois, Cook County (case filed 6/11/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated smokers resident in Illinois.

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

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

CASTANO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 95-30725, USDC, Eastern District of Louisiana (case filed 3/29/94). This case was settled by Liggett and Brooke on March 12, 1996. Nationwide "addiction-as-injury" class action was decertified by the Fifth Circuit in May 1996.

GRANIER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., USDC, Eastern District of Louisiana (case filed 9/29/94). This case currently is stayed pursuant to a decision in CASTANO. -----

YOUNG, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 2:97-CV-03851, Civil District Court, State of Louisiana, Orleans Parish (case filed 11/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Louisiana.

RICHARDSON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 96145050/CL212596, Circuit Court, Baltimore City, Maryland (case filed on 5/29/96). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in Maryland.

LEWIS, TARJI, ET AL. V. PHILIP MORRIS, INCORPORATED, ET AL., Case No. MICV2000-03447, Superior Court, Massachusetts, Middlesex County. This class action is brought on behalf of Massachusetts residents who began smoking under the legal age and who now wish to quit.

NATIONAL TOBACCO CONSUMERS' GROUP NUMBER 2 V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 00CV11408RGS, USDC, Massachusetts, District of Massachusetts (case filed 7/18/00). This addiction-as-injury class action is brought on behalf of Massachusetts residents.

VANDERMEULEN, THERESA, ET AL. V. PHILIP MORRIS COMPANIES INC., ET AL., Case No. 00-030548 CZ, Circuit Court, Michigan, Wayne County. This class action is brought on behalf of all Michigan smokers due to

defendants' negligence, violation of Michigan Consumer Protection Act, breach of contract/warranty and fraudulent concealment.

WHITE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 5:97-CV-91BRS, Chancery Court of Mississippi, Jefferson County (case filed 4/24/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Mississippi.

BADILLO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. CV-N-97-573-HDM (RAM), USDC, District of Nevada (case filed 11/4/97). This action is brought on behalf of all Nevada casino workers that allegedly have been injured by exposure to environmental tobacco smoke.

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

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

AVALLONE, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. MID-L-4883-98, Superior Court of New Jersey, Middlesex County (case filed 5/5/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated non-smokers allegedly injured from exposure to second hand smoke resident in New Jersey.

COSENTINO, ET AL. V. PHILIP MORRIS, ET AL., Case No. L-5135-97, Superior Court of New Jersey, Law Division, Middlesex County (case filed 5/21/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in New Jersey.

GEIGER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Index No. 10657/97, Supreme Court of New York, Queens County (case filed 1/12/97). This personal injury class action is brought on behalf of plaintiff and all similarly situated injured smokers resident in New York.

NWANZE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-CIV-7344, USDC, Southern District of New York (case filed 10/17/97). This action is brought on behalf of all prisoners nationwide that have allegedly been injured by exposure to environmental tobacco smoke. Liggett has not been served.

SIMON, ET AL. V. PHILIP MORRIS INC, ET AL., Case No CV 99 1998, USDC, Eastern District of New York (case filed 4/9/99), This personal injury action is brought on behalf of plaintiffs seeking certification of a nation wide class under the applicable provisions of Rule 23 of the

Federal Rules of Civil Procedure, on behalf of persons who have smoked defendant's cigarettes and who presently have a claim for personal injuries or damages, or wrongful death, arising from the smoking of defendants' cigarettes.

CREEKMORE, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. 98 CV 03403, Superior Court of North Carolina, Buncombe County (case filed 11/19/98). This personal injury class action is brought on behalf of plaintiffs and all similarly situated allegedly injured smokers resident in North Carolina.

CORCORAN, ET AL. V. ASSOCIATED WHOLESALERS, INC.(AWI), ET AL., Case No. 01-CV-2755, Court of Common Pleas, Pennsylvania, Lackawanna County (case filed 5/25/01). The Plaintiffs and class members bring this action in order to recoup monies required to pay in treating indigent, non-paying patients as a result of tobacco related illnesses.

SWEENEY, ET AL. V. AMERICAN TOBACCO COMPANY, ET AL., Case No. GD98-16226, Court of Common Pleas, State of Pennsylvania, Allegheny County (case filed 10/15/98). This putative class action is brought on behalf of all current smokers who began smoking prior to the age of eighteen resident in the State of Pennsylvania.

MYERS, ET AL. V. ARTHUR A. HAYES, JR., ET AL. Case No. 00C1773, Circuit Court, Davidson County, Tennessee. This action is for injunctive relief and damages. Plaintiffs allege a class action against the tobacco defendants for their smoking related medical expenses paid by Medicaid and/or Tenn care under in violation of 42 USCS 1981 et seq., 18 USCS 241 (Conspiracy against rights), and 42 USCS 1986.

BUSH, ET AL. V. PHILIP MORRIS, ET AL., Case No. 597CV180, USDC, Eastern District of Texas (case filed 9/22/97). Two individuals suing on behalf of a class of individuals. This case currently is stayed until 5/10/99.

COLE, ET AL. V. THE TOBACCO INSTITUTE, ET AL., Case No. 1:97CV0256, USDC, Eastern District of Texas (case filed 5/12/97). Two individuals suing on behalf of a class of individuals.

MASON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 7-97CV-293-X, USDC, Northern District of Texas (case filed 12/23/97). This nationwide taxpayer putative class action seeks reimbursement of Medicare expenses made by the United States government. Transferred to the Eastern District of New York

HERRERA, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 2:98-CV-00126, USDC, District of Utah (case filed 1/28/98). This personal injury class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers under the age of nineteen [at time of original filing] resident in Utah.

JACKSON, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. 980901634PI, 3rd Judicial Court of Utah, Salt Lake County (case filed 3/10/98). This "addiction-as-injury" class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in Utah.

INGLE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-C-21-S, Circuit Court, State of West Virginia, McDowell County (case filed 2/4/97). This personal injury putative class action is brought on behalf of plaintiff and all similarly situated allegedly injured smokers resident in West Virginia.

MCCUNE V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 97-C-204, Circuit Court, State of West Virginia, Kanawha County (case filed 1/31/97). This "addiction-as-injury" putative class action is brought on behalf of plaintiff and all similarly situated allegedly addicted smokers resident in West Virginia.

PARSONS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 98-C-388, Circuit Court, State of West Virginia, Kanawha County (case filed 4/9/98). This personal injury class action is brought on behalf of plaintiff's decedent and all West Virginia residents having claims for personal injury arising from exposure to both cigarette smoke and asbestos fibers.

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

#### IV. INDIVIDUAL SMOKER CASES

SPRINGER V. LIGGETT GROUP INC. AND LIGGETT & MYERS, INC., Case No. LR-C-98-428, USDC, Eastern District of Arkansas (case filed 7/19/98). Two individuals suing. Liggett only defendant.

BAKER, ET AL V. SAFEWAY, INC., ET AL., Case No. 304532, Superior Court of California, County of San Francisco(case filed 6/28/99). Two individuals suing.

BIRREN, D., ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. RIC 356880, Superior Court, Riverside County, California (case filed 04/03/01). Two individuals suing.

BROWN, D., ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC 226245, Superior Court, Los Angeles County, California (case filed 3/9/00). One individual suing. Liggett has not been served.

BROWN V., ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00AS02085, Superior Court, Sacramento County, California (case filed 4/18/00). Two individuals suing.

CHANDLER V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC226097, Superior Court of California, Los Angeles County (case filed 3/7/00). One individual suing.

CONER V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC227929, Superior Court, California, Los Angeles (case filed 3/7/00). One individual suing.

COOPER V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC227929, Superior Court, California, Los Angeles County (case filed 4/7/00). One individual suing.

CRAYTON V. SAFEWAY, INC., ET AL., Case No. RDC 820871-0, Superior Court, Alameda County, California (case filed 1/18/00). One individual suing.

DONALDSON, ET AL. V. RAYBESTOS MANHATTAN, INC., ET AL., Case No.998147, Superior Court of California, County of San Francisco (case filed 9/25/98). Two individuals suing.

ELLIS V. THE AMERICAN TOBACCO CO., ET AL., Case No. 804002, Superior Court of California, County of Orange (case filed 1/13/99). One individual suing.

JOHNSON, ET AL V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC 226246, Superior Court, Los Angeles County, California (case filed 3/9/00) Five individuals suing. Liggett has been served.

LAMB, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. RIC 343417, Superior Court, Riverside County, California (case filed 5/26/00). Two individuals suing.

MORSE V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 822825-9, Superior Court, Alameda County, California. One individual suing.

NORMADIN, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. H215192-12, Superior Court, California, Alameda County (case filed 8/25/00). One individual suing.

REIN V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 807453-1, Superior Court of California, County of Alameda (case filed 5/5/99). One individual suing.

REYNOLDS, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. SC024107, Superior Court of California, County of Ventura (case filed 10/04/99). Two individuals suing.

ROBINSON, ET AL. V. RAYBESTOS-MANHATTAN, INC., ET AL., Case No. 996378, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

ROBINSON, ET AL. V. RAYBESTOS- MANHATTAN, ET AL., Case No. 309286, Superior Court, California, County of San Francisco (case filed 1/18/00). Three individuals suing.

SELLERS, ET AL. V. RAYBESTOS-MANHATTAN, ET AL., Case No. 996382, Superior Court of California, County of San Francisco (case filed 7/23/98). Two individuals suing.

SOLIMAN V. PHILIP MORRIS INCORPORATED, ET AL, Case No. 31105, Superior Court, San Francisco County, California (case filed 3/28/00). One individual suing.

STERN, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. M37696, Superior Court of California, County of Monterey (case filed 4/28/97). Two individuals suing.

WILLIAMS V. PHILIP MORRIS INCORPORATED, ET AL., Case No. BC227930, Superior Court, California, Los Angeles County (case filed 4/7/00). One individual suing.

PLUMMER, BRENDA, ET AL. V. THE AMERICAN TOBACCO., Case No. 6480, Superior Court, District of Columbia. Three individuals suing.

ADAMS V. R.J. REYNOLDS, ET AL., Case No. 97 05442, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

ARMAND V. PHILIP MORRIS, ET AL., Case No. 97-31179-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/9/97). Two individuals suing.

ATCHESON V. R. J. REYNOLDS, ET AL., Case No. 97-31148-CICU, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

BAILEY, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-18056 CA15, Circuit Court of the 11th Judicial Circuit, State of Florida, Duval County (case filed 8/18/97). Two individuals suing.

BARTLEY, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11153, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/21/97). Two individuals suing.



BLAIR V. R. J. REYNOLDS, ET AL., Case No. 97-31177, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 7/29/97). One individual suing.

BLANK V. PHILIP MORRIS, ET AL., Case No. 97-05443, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

BRONSTEIN, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008769, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

BURNS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11175-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). One individual suing.

CLARK V. LIGGETT GROUP INC., Case No. 95-3333-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Dade County (case filed 8/18/95). One individual suing. Liggett only defendant.

COWART V. LIGGETT GROUP INC, ET AL., Case No.98-01483CA, Circuit Court of the 11th Judicial Circuit, State of Florida, Duval County (case filed 3/16/98). One individual suing.

DAVIS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11145, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

DAVISON, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008776, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

DE LA TORRE, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11161, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

DILL V. PHILIP MORRIS, ET AL., Case No. 97-05446, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). One individual suing.

DOUGHERTY V. PHILIP MORRIS INC., ET AL., Case No. 1999 32074 CICI, Circuit Court, State of Florida, Volusia County (case filed 11/17/99). One individual suing.

DOYLE, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-627-CA, Circuit Court of the 7th Judicial Circuit, State of Florida, Flagler County (case filed 9/16/97). Two individuals suing.

DUECKER V. LIGGETT GROUP INC., Case No. 98-03093 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/5/98). One individual suing. Liggett only defendant.

EASTMAN V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 01-98-1348, Circuit Court of the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 3/11/98). One individual suing.

FLAKS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008750, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

GARRETSON, ET UX. V. R.J. REYNOLDS, ET AL., Case No. 97-32441 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 10/22/96). One individual suing.

GOLDBERG, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-008780, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

GRAY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-21657 CA 42, Circuit Court of the 11th Judicial Circuit, State of Florida, Putnam County (case filed 10/15/97). Two individuals suing.

HALEN V. R.J. REYNOLDS, ET AL., Case No. CL 96005308, Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 6/19/96). One individual suing.

HARRIS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-1151, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

HART, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 9708781, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

HAYES, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 97-31007, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/30/97). Two individuals suing.

HENIN V. PHILIP MORRIS, ET AL., Case No. 97-29320 CA 05, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 12/26/97). One individual suing.

HENNING. ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11159, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

HITCHENS, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No.97008783, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97).

KATZ V. BROWN & WILLIAMSON, ET AL., Case No. 95-15307-CA-01, USDC, Southern District of Florida (case filed 8/3/95). One individual suing. Plaintiff has dismissed all defendants except Liggett Group Inc.

KALOUSTIAN V. LIGGETT GROUP INC., ET AL., Case No. 95-5498, Circuit Court for the 13th Judicial Circuit, State of Florida, Hillsborough County (case filed 8/28/95). Two individuals suing.

KRUEGER, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 96-1692-CIV-T-24A, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

LAPPIN V. R.J. REYNOLDS, ET AL., Case No. 97-31371 CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

LASS V. R.J. REYNOLDS, ET AL., Case No. 96-04469, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 12/23/96). Two individuals suing.

LEVINE V. R.J. REYNOLDS, ET AL., Case No. CL 95-98769 (AH), Circuit Court of the 15th Judicial Circuit, State of Florida, Palm Beach County (case filed 7/24/96). One individual suing.

LOBLEY V. PHILIP MORRIS, ET AL., Case No. 97-1033-CA-10-L, Circuit Court of the 18th Judicial Circuit, State of Florida, Seminole County (case filed 7/29/97). Two individuals suing.

LUKACS, JOHN V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Circuit Court of the 11th Judicial Circuit Court, Florida, Miami-Dade County. One individual suing.

LUSTIG, ET AL. V. BROWN & WILLIAMSON TOBACCO CO., ET AL., Case No. 97 11168, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

MAGLIARISI, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97008895, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/11/97). One individual suing.

MANLEY, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-11173-27, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/3/98). Two individuals suing.

MECKLER, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-03949-CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/10/97). One individual suing.

MULLIN V. PHILIP MORRIS, ET AL., Case No. 95-15287 CA 15, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/7/95). One individual suing.

O'ROURKE V. LIGGETT GROUP INC., ET AL., Case No. 97-31345-CICI, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 6/2/97). One individual suing.

PEREZ, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 96-1721-CIV-T-24B, USDC, Middle District of Florida (case filed 8/20/96). One individual suing.

PHILLIPS V. R.J. REYNOLDS, ET AL., Case No. 97-31278, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 5/27/97). One individual suing.

PIPOLO V. PHILIP MORRIS, ET AL., Case No. 97-05448, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 4/10/97). Two individuals suing.

PULLARA, RUBY M. , ET AL. V. LIGGETT GROUP, INC. , ET AL., Case No. 01-1626-Div. C, Circuit Court of the 13th Judicial Circuit, Florida, Hillsborough County. Two individuals suing.

RAUCH, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11144, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). Two individuals suing.

RAWLS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-01354 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 3/6/97). One individual suing.

REBANE, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. CIO-00-0000750, Circuit Court, Orange County, Florida (case filed 2/1/00). Two individuals suing.

RIX V. R.J. REYNOLDS, ET AL., Case No. 96-1778 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 4/29/96). One individual suing.

SCHULTZ V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 99019898, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 11/24/99). One individual suing.

SHAW, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-008755, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). Two individuals suing.

SPOTTS V. R.J. REYNOLDS, ET AL., Case No. 97-31373 CICI, Circuit Court of the 4th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). One individual suing.

STAFFORD V. BROWN & WILLIAMSON, ET AL., Case No. 97-7732-CI-019, Circuit Court of the 6th Judicial Circuit, State of Florida, Pinellas County (case filed 11/14/97). One individual suing.

STEWART, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 97 2025 CA, Circuit Court of the 5th Judicial Circuit, State of Florida, Lake County (case filed 9/16/97). Two individuals suing.

STRICKLAND, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 98-00764, Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 1/8/98). Two individuals suing.

STROHMETZ V. PHILIP MORRIS, ET AL., Case No. 98-03787 CA, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 7/16/98). One individual suing.

SWANK-REICH V. BROWN & WILLIAMSON, ET AL., Case No. 97008782, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

THOMSON, BARRY, V. R.J. REYNOLDS, ET AL., Case No. 97-400-CA, Circuit Court of the 7th Judicial Circuit, State of Florida, Flagler County (case filed 9/2/97). One individual suing.

THOMSON, EILEEN, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-11170, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 7/21/97). One individual suing.

VENTURA V. R.J. REYNOLDS TOBACCO CO., ET AL., Case No. 97-27024 CA (09), Circuit Court of the 11th Judicial Circuit, State of Florida, Dade County (case filed 11/26/97). One individual suing.

WASHINGTON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 97-10575 CIDL, Circuit Court of the 7th Judicial Circuit, State of Florida, Volusia County (case filed 9/16/97). Two individuals suing.

WEIFFENBACH, ET UX. V. PHILIP MORRIS, ET AL., Case No. 96-1690-CIV-T-24C, USDC, Middle District of Florida (case filed 8/30/96). Two individuals suing.

WISCH V. LIGGETT GROUP INC., ET AL., Case No. 97-008759, Circuit Court of the 17th Judicial Circuit, State of Florida, Broward County (case filed 6/10/97). One individual suing.

YOUNG V. BROWN & WILLIAMSON, ET AL., Case No. 96-03566, Circuit Court of the 4th Judicial Circuit, State of Florida, Duval County (case filed 11/30/95). One individual suing.

BROWN-JONES V. THE AMERICAN TOBACCO CO., ET AL., Case No. 98-RCCV-28, Superior Court of Georgia, Richmond County (case filed 1/13/98). Two individuals suing.

DELUCA V. LIGGETT & MYERS, ET AL., Case No. 00L13792, Circuit Court, Cook County, Illinois County (case filed 11/29/00). One individual suing.

DENBERG, ET AL. V. AMERICAN BRANDS, INC., ET AL., Case No. 97L07963, USDC, Northern District of Illinois (case filed 8/13/97). Four individuals suing. (Formerly Daley).

ROGERS V. R. J. REYNOLDS, ET AL., Case No. 49 D 02-9301-CT-0008, Superior Court of Indiana, Marion County (case filed 3/7/97). Two individuals suing.

SUMPTER V. THE AMERICAN TOBACCO CO., ET AL., Case No. IP98-0401-C-M/G, USDC, District of Indiana, Marion County (case filed 2/26/98). 15 individuals suing.

GRONBERG, ET AL. V. LIGGETT & MYERS, ET AL., Case No. LA-CV-080487, District Court, State of Iowa, Black Hawk County (case filed 3/30/98). Two individuals suing.

KOBOLD, ET AL. V. BAT INDUSTRIES, ET AL., Case No. CL-77551, District Court, State of Iowa, Polk County (case filed 9/15/98). Two individuals suing.

MAHONEY V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LALA5187(S), District Court, Iowa, Lee County (case filed 4/13/01). One individual suing.

MASON V. AMERICAN BRANDS, INC., ET AL., Case No. CL7922, District Court, State of Iowa, Polk County (case filed 4/13/99). One individual suing.

MITCHELL, ET AL. V. LIGGETT & MYERS, ET AL., Case No. C00-3026, USDC, State of Iowa, Northern District (case filed 4/19/00). Two individuals suing.

WELCH, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. LA CV 017535, District Court, Iowa, Shelby County (case filed 10/16/2000). Two individuals suing.

WRIGHT, ET AL. V. BROOKE GROUP LIMITED, ET AL., Case No. LA CV 05867, District Court, State of Iowa, Cerro Gordo County (case filed 11/10/99). Two individuals suing.

ALEXANDER, ET UX V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 99-C-3975-A, 27th Judicial District Court, St. Landry Parish, Louisiana (case filed 9/27/99). Two individuals suing.

BADON, ET UX. V. RJR NABISCO INC., ET AL., Case No. 10-13653, USDC, Western District of Louisiana (case filed 5/24/94). Six individuals suing.

BIRD, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 507-532, 24th Judicial District Court, State of Louisiana, Jefferson Parish (case filed 4/10/97). Four individuals suing.

BRAKEL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 96-13672-D, USDC, Eastern District of Louisiana (case filed 8/30/96). Seven individuals suing.

DIMM, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 53919, 18th Judicial District Court, Parish of Iberville, Louisiana. Seven individuals suing.

HEBERT, ET AL. V. UNITED STATES TOBACCO, ET AL., Case No. 96-2281, 14th Judicial District Court, State of Louisiana, Calcasieu Parish (case filed 5/8/96). Two individuals suing.

HIGGINS, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 96-2205, USDC, Eastern District of Louisiana (case filed 6/1/96). One individual suing.

JACKSON V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 97-441-C-MI, USDC, Middle District of Louisiana (case filed 7/3/97). One individual suing.

KENNON V. BROWN & WILLIAMSON, ET AL., Case No. 98-586, USDC, Middle District of Louisiana (case filed 12/5/97). One individual suing.

MCDOWELL, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 3:00CV0705, USDC, Western District, Louisiana (case filed 5/16/00). Four individuals suing.

NEWSOM, ET AL. V. R.J. REYNOLDS, ET AL., Case No. 105838, 16th Judicial District Court, Parish of St. Mary, Louisiana (case filed 5/17/00). Five individuals suing.

OSER V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-9293, Civil District of the Judicial District Court, State of Louisiana, Orleans Parish (case filed 5/27/97). One individual suing.

PITRE, ET AL. V. R. J. REYNOLDS , ET AL., Case No. 97 CA 0059, 19th Judicial District Court, State of Louisiana, East Baton Rouge Parish (case filed 8/7/92). Five individuals suing.

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

RACCA, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 10-14999, 38th Judicial District Court, State of Louisiana, Cameron Parish (case filed 7/16/98). Eleven individuals suing.

ADAMS, ESTATE OF PHYLLIS, ET AL. V. R. J. REYNOLDS, et al., Case No. 00-2636, Superior Court, Middlesex County, Massachusetts. Two individuals suing.

BISTANY V. MICHAEL T. SHANNON, D.M.D., ET AL., Case No. 00-1557, Superior Court of Massachusetts, Middlesex County. One individual suing.

CAMERON V. THE TOBACCO INSTITUTE, INC., ET AL., Case No. 98-4960, Superior Court of Massachusetts, Middlesex County (case filed 8/3/98). One individual suing.

HAGLUND, BRENDA, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 01-1221, Superior Court, Massachusetts, Middlesex County. Five plaintiffs suing.

HEALY, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 01-0381, Superior Court of Massachusetts (case filed 1/25/2001). Nine individuals suing.



MONTY V. HARVARD PILGRIM HEALTH CARE, ET AL., Demand Letter. Superior Court, Massachusetts.

NYSKO, ET AL. V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. Three individual suing.

PAIGE V. MARILYN KOVANT, M.D., ET AL., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. One individual suing.

PISCIONE V. R. J. REYNOLDS TOBACCO COMPANY, ET AL., Demand letter and draft complaint, Superior Court of Massachusetts, Middlesex County. One individual suing.

REEDY, ET AL. V. R. J. REYNOLDS TOBACCO CO., ET AL., Case No. 98-5056, Superior Court of Massachusetts, Middlesex County (case filed 8/13/98). One individual suing.

SATCHELL V. THE TOBACCO INSTITUTE, INC., ET AL., Demand Letter. Superior Court, Massachusetts. WOODS, ESTATE OF HELEN V. THE TOBACCO INSTITUTE, INC., ET AL., Case No. 98-5721, Superior Court of Massachusetts, Middlesex County (case filed 11/18/98). One individual suing.

WOODS, JOSEPH V. THE TOBACCO INSTITUTE, INC., ET AL., Case No. 98-5723, Superior Court of Massachusetts, Middlesex County (case filed 11/18/98). One individual suing.

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

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

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

BLYTHE V. RAPID AMERICAN CORPORATION, ET AL., Case No. CI 96-0080-AS, Circuit Court, Mississippi, Jackson County (case filed 9/23/96). One individual suing.

BROWN, GLAYSON, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 2001-0022(1) Circuit Court, Mississippi, George County (case filed

3/30/01). Two Hundred Twenty-Four (224) individuals suing.

COLENBERG, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 200-169, Circuit Court, Mississippi, Jefferson County (case filed 10/18/00). Twenty-eight individuals suing.

COCHRAN, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2001-0022(1), Circuit Court, Mississippi, George County (case filed 2/6/01). Twenty-six individuals suing.

ESTATE OF ED DOSS, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 99-0108, Circuit Court, State of Mississippi, Jefferson County (case filed 8/17/99). Nine individuals suing. Liggett has not been served.

GALES, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2000-170, Circuit Court, Mississippi, Jefferson County (case filed 9/18/00). Seven individuals suing.

JACKSON, ET AL. V. R. J. REYNOLDS, ET AL., Case No., Circuit Court, State of Mississippi, Jefferson County. This action seeks judgment from both the Tobacco Defendants and the Asbestos Defendants for joint and several liability

JENNINGS, ET AL. V. R. J. REYNOLDS, ET AL., Case No. 2000-238, Circuit Court, Mississippi, Claiborne County (case filed 11/2/00). Fourteen individuals suing.

LANE, ET AL. V. R. J. REYNOLDS, ET AL., Case No. CI 00-00239, Circuit Court, Mississippi, Forrest County (case filed 2/6/01). Six individuals suing.

MCGEE, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 2000-596, Circuit Court, Mississippi, Jefferson County (case filed 11/16/00). Nineteen individuals suing.

DAVIS, ET AL. V. AMERICAN TOBACCO COMPANY, ET AL., Case No. 2:00-Cv-26-CEJ, USDC, Missouri, Eastern District (case filed 9/25/00). Two individuals suing.

ARMENDARIZ V. PHILIP MORRIS, ET AL., Case No. 999/862, District Court, Nebraska, Douglas County (case filed 11/17/00). One individual suing.

MUMIN V. PHILIP MORRIS, ET AL., Doc. 1000 No. 46, District Court, Nebraska, Douglas County (case filed 11/27/00). One Individual suing.

HOWARD, ET AL. V. PHILIP MORRIS, INC., ET AL., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

FRENCH, ET AL. V. PHILIP MORRIS, ET AL., Superior Court, New Hampshire, Merrimack County. Two individuals suing.

WILLIAMSON, LILLIAN V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. L1258-01, Superior Court, Middlesex County, New Jersey (case filed 2/9/01). One individual suing.

DOOLITTLE, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Superior Court, Gloucester County, New Jersey (case filed 5/22/00). Two individuals suing.

KLEIN, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. L-7798-00, Superior Court, Middlesex, New Jersey (case filed 9/21/00). Two individuals suing.

PISCITELLO, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 98-CIV-4613, Superior Court of New Jersey, Middlesex County (case filed 3/6/98).

STAR, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. L-11517-99, Superior Court, Middlesex County, New Jersey (case filed 12/13/99). Two individuals suing.

TEPPER AND WATKINS, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. BER-L-4983-97-E, Superior Court of New Jersey, Middlesex County (case filed 5/28/97).

HAINES (ETC.) V. LIGGETT GROUP INC., ET AL., Case No. C 6568-96B, USDC, District of New Jersey (case filed 2/2/94). One individual suing.

ALTMAN, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 97-123521, Supreme Court of New York, New York County (case filed 12/16/97). Seven individuals suing.

ANDERSON, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 42821-97, Supreme Court of New York, Kings County (case filed 11/13/97). Six individuals suing.

ARNETT, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 109416/98, Supreme Court of New York, New York County (case filed 5/29/98). Nine individuals suing.

BELLOWS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 122518/97, Supreme Court of New York, New York County (case filed 11/26/97). Five individuals suing.

BRAND, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 29017/98, Supreme Court of New York, Kings County (case filed 12/21/98). Two individuals suing.

CAIAZZO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 13213/97, Supreme Court of New York, Richmond County (case filed 10/27/97). Six individuals suing.

CAMERON V. THE AMERICAN TOBACCO CO., ET AL., Case No. 019125/97, Supreme Court of New York, Nassau County (case filed 7/18/97). Five individuals suing.

CANAAN V. PHILIP MORRIS INC., ET AL., Case No. 105250/98, Supreme Court of New York, New York County (case filed 3/24/98). One individual suing.

CARLL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112444/97, Supreme Court of New York, New York County (case filed 8/12/97). Five individuals suing.

CAVANAGH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.11533/97, Supreme Court of New York, Richmond County (case filed 4/23/97). Two individuals suing.

COLLINS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 08322/97, Supreme Court of New York, Westchester County (case filed 7/2/97). Nine individuals suing.

CONDON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 108902/97, Supreme Court of New York, New York County (case filed 2/4/97). Seven individuals suing.

CRANE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.106202-97, USDC, Southern District of New York (case filed 4/4/97). Four individuals suing.

CREECH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 106202-97, Supreme Court of New York, Richmond County (case filed 1/14/97). Four individuals suing.

CRESSER, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 36009/96, Supreme Court of New York, Kings County (case filed 10/4/96). Two individuals suing.

DA SILVA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.106095/97, Supreme Court of New York, New York County (case filed 1/14/97). Six individuals suing.

DOMERACKI V. PHILIP MORRIS, ET AL., Case No. 98/6859, Supreme Court of New York, Erie County (case filed 8/3/98). One individual suing.

DOUGHERTY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-09768, Supreme Court of New York, Suffolk County (case filed 4/18/97). Two individuals suing.

DZAK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 26283/96, Supreme Court of New York, Queens County (case filed 12/2/96). Five individuals suing.

EVANS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28926/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

FRANKSON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 24915/00, Supreme Court, New York, Kings County. Four individuals suing.

FINK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 110336/97 Supreme Court of New York, New York County (case filed 4/25/97). Six individuals suing.

GOLDEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112445/97, Supreme Court of New York, New York County (case filed 8/11/97). Six individuals suing.

GRECO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15514-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

GRUDER , ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No.48487/97, Supreme Court of New York, New York County (case filed 12/8/97). Four individuals.

GUILLOTEAU, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 46398/97, Supreme Court of New York, Kings County (case filed 11/26/97). Four individuals suing.

HANSEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.97-26291, Supreme Court of New York, Suffolk County (case filed 4/12/97). Six individuals suing.

HELLEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28927/96, Supreme Court of New York, Kings County (case filed 8/23/96). Two individuals suing.

INZERILLA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11754/96, Supreme Court of New York, Queens County (case filed 7/16/96). Two individuals suing.

JAUST, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 116249/97, Supreme Court of New York, New York County (case filed 10/14/97). Ten individuals suing.

JEFFERSON, ET AL. V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Supreme Court of New York, Richmond County. Two individuals suing.

JULIANO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 12470/97, Supreme Court of New York, Richmond County (case filed 8/12/96). Four individuals suing.

KEENAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 116545-97, Supreme Court of New York, New York County (case filed 10/6/97). Eight individuals suing.

KENNY, ET AL. V. PHILIP MORRIS USA, ET AL., Case No. 111486/01, Supreme Court, New York, New York County. Two individuals suing.

KESTENBAUM, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 109350/97, Supreme Court of New York, New York County (case filed 6/4/97). Eight individuals suing.

KNUTSEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 36860/96, Supreme Court of New York, Kings County (case filed 4/25/97). Two individuals suing.

KOTLYAR, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28103/97, Supreme Court of New York, Queens County (case filed 11/26/97). Five individuals suing.

KRISTICH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 96-29078, Supreme Court of New York, Suffolk County (case filed 10/12/97). Two individuals suing.

KROCHTENGEL V. THE AMERICAN TOBACCO CO., ET AL., Case No. 24663/98, Supreme Court of New York, Kings County (case filed 7/15/98). One individual suing.

LABROILA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-12855, Supreme Court of New York, Suffolk County (case filed 7/20/97). Four individuals suing.

LEHMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112446/97, Supreme Court of New York, New York County (case filed 8/11/97). One individual suing.

LEIBSTEIN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-019145, Supreme Court of New York, Nassau County (case filed 7/25/97). Six individuals suing.

LEIDERMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 22691/97, Supreme Court of New York, Kings County (case filed 7/23/97). Three individuals suing.

LENNON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 120503/97, Supreme Court of New York, New York County (case filed 11/19/97). Seven individuals suing.

LE PAW V. B.A.T. INDUSTRIES, ET AL., Case No. 17695-96, USDC, Southern District of New York (case filed 8/14/96). Four individuals suing.

LEVINSON, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 13162/97, Supreme Court of New York, Kings County (case filed 4/17/97). Seven individuals suing.

LIEN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-9309, Supreme Court of New York, Suffolk County (case filed 4/28/97). Two individuals suing.

LITKE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15739/97, Supreme Court of New York, Kings County (case filed 5/1/97). Five individuals suing.

LOHN V. LIGGETT GROUP INC., ET AL., Case No. 105249/98, Supreme Court of New York, New York County (case filed 3/26/98). One individual suing.

LOMBARDO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16765/97, Supreme Court of New York, Nassau County (case filed 6/6/97). Five individuals suing.

LONG, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 22574-97, Supreme Court of New York, Bronx County (case filed 10/22/97). Four individuals suing.

LOPARDO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 027182/97, Supreme Court of New York, Nassau County (case filed 10/27/97). Six individuals suing.

LUCCA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 3583/97, Supreme Court of New York, Kings County (case filed 1/27/97). Two individuals suing.

LYNCH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 117244/97, Supreme Court of New York, New York County (case filed 10/22/97). Five individuals suing.

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

MAISONET, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 17289/97, Supreme Court of New York, Kings County (case filed 5/20/97). Three individuals suing.

MARGOLIN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 120762/96, Supreme Court of New York, New York County (case filed 11/22/96). One individual suing.

MARTIN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15982-97, Supreme Court of New York, Queens County (case filed 7/18/97). Three individuals suing.

MCGUINNESS, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 112447/97, Supreme Court of New York, New York County (case filed 7/28/97). Six individuals suing.

MCLANE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11620/97, Supreme Court of New York, Richmond County (case filed 5/13/97). Four individuals suing.

MEDNICK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 29140/1997, Supreme Court of New York, Kings County (case filed 9/19/97). Eight individuals suing.

MISHK, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 108036/97, Supreme Court of New York, New York County (case filed May 1, 1997). Five individuals suing.

MOREY V. PHILIP MORRIS, ET AL., Case No. I1998/9921, Supreme Court of New York, Erie County (case filed 10/30/98). Two individuals suing.

NEWELL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-25155, Supreme Court of New York, New York County (case filed 10/3/97). Six individuals suing.

NOCIFORO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 96-16324, Supreme Court of New York, Suffolk County (case filed 7/12/96). One individual suing.

O'HARA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 103095/98, Supreme Court of New York, New York County (case filed 2/23/98). Two individuals suing.

ORNSTEIN V. PHILIP MORRIS, ET AL., Case No. 117548/97, Supreme Court of New York, New York County (case filed 9/29/97). One individual suing.

PEREZ, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 26347/97, Supreme Court of New York, Kings County (case filed 8/26/97). Seven individuals suing.

PERRI, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 029554/97, Supreme Court of New York, Nassau County (case filed 11/24/97). Six individuals suing.

PICCIONE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 34371/97, Supreme Court of New York, Kings County (case filed 10/27/97). Five individuals suing.

PORTNOY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16323/96, Supreme Court of New York, Suffolk County (case filed 7/16/96). Two individuals suing.



REITANO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 28930/96, Supreme Court of New York, Kings County (case filed 8/22/96). One individual suing.

RICO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 120693/98, Supreme Court of New York, New York County (case filed 11/16/98). Nine individuals suing.

RINALDI, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 48021/96, Supreme Court of New York, Kings County (case filed 12/11/96). Five individuals suing.

ROSE, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 122131/96, Supreme Court of New York, New York County (case filed 12/18/96). Eight individuals suing.

RUBINOBITZ, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15717/97, Supreme Court of New York, Nassau County (case filed 5/28/97). Five individuals suing.

SCHULHOFF, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 23737-97, Supreme Court of New York, Queens County (case filed 11/21/97). Six individuals suing.

SCHWARTZ, IRWIN V. THE AMERICAN TOBACCO CO., ET AL., Case No.14841/97, Supreme Court of New York, Nassau County (case filed 5/19/97). One individual suing.

SCHWARTZ, PEARL V. THE AMERICAN TOBACCO CO., ET AL., Case No.47239/96, Supreme Court of New York, Kings County (case filed 12/2/96). One individual suing.

SENZER, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 11609/97, Supreme Court of New York, Queens County (case filed 5/13/97). Eight individuals suing.

SHAPIRO, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 111179/97, Supreme Court of New York, New York County (case filed 7/21/96). Four individuals suing.

SIEGEL, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No.36857/96, Supreme Court of New York, Kings County (case filed 10/8/96). Two individuals suing.

SILVERMAN, ET AL. V. LORILLARD TOBACCO COMPANY. ET AL., Case No. 11328/99, Supreme Court of New York, Kings County (case filed 7/9/99) Five individuals suing.

SMITH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 020525/97, Supreme Court of New York, Queens County (case filed 9/19/97). Eight individuals suing.

SOLA, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 18205/96, Supreme Court of New York, Bronx County (case filed 7/16/96). Two individuals suing.

SPRUNG, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 16654/97, Supreme Court of New York, Kings County (case filed 5/14/97). Ten individuals suing.

STANDISH, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 18418-97, Supreme Court of New York, Bronx County (case filed 7/28/97). Five individuals suing.

VALENTIN, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 019539/97, Supreme Court of New York, Queens County (case filed 9/16/97). Seven individuals suing.

WALGREEN, ET AL. V. THE AMERICAN TOBACCO, ET AL., Case No. 109351/97, Supreme Court of New York, New York County (case filed 5/23/97). Eight individuals suing.

WERNER, ET AL. V. FORTUNE BRANDS, INC., ET AL., Case No. 029071-97, Supreme Court of New York, Queens County (case filed 12/12/97). Four individuals suing.

ZARUDSKY, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 15773-97, Supreme Court of New York, New York County (case filed 5/28/97). Six individuals suing.

ZIMMERMAN, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Supreme Court of New York, Queens County (case filed 1997).

ZUZALSKI, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 001378/97, Supreme Court of New York, Queens County (case filed 4/3/97). Seven individuals suing.

WILSON, ET AL. V. LIGGETT & MYERS, ET AL., USDC, Middle District Court, North Carolina. One individual suing.

SANCHEZ, ESTHER E. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 00-818-BR, USDC, Oregon. One individual suing.

COTNER V. PHILIP MORRIS, INC., ET AL., Case No. CS-2000-157, District Court, Adair County, Oklahoma. One individual suing.

BUSCEMI V. BROWN & WILLIAMSON, ET AL., Case No. 002007, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 9/21/99). Two individuals suing.

CAMPANELLA, ET AL. V. LORILLARD TOBACCO COMPANY, ET AL., Case No. 003575, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 1/31/00). Two individuals suing.

DANKO, ET AL. V. LIGGETT GROUP, ET AL., Case No. 2:00CV2683, USDC Eastern District, Pennsylvania. Two individuals suing.

FLOYD V. BROWN & WILLIAMSON, ET AL., Case No. 000231, Court of Common Pleas, Pennsylvania, Philadelphia County. One individual suing.

HALL V. R. J. REYNOLDS TOBACCO CO., ET AL., Case No. 4:97-CV-01723, USDC, Pennsylvania, Middle District (case filed 2/18/98). One individual suing.

TANTUM V. AMERICAN TOBACCO CO., ET AL., Case No. 3762, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 1/26/99). Two individuals suing.

TAYLOR V. BROWN & WILLIAMSON TOBACCO CORPORATION, ET AL., Case No. 004378, Court of Common Pleas, Pennsylvania, Philadelphia County (case filed 12/13/99). One individual suing.

BROWN V. BROWN & WILLIAMSON TOBACCO CORP., ET AL., Case No. 98-5447, Superior Court, Rhode Island (case filed 10/30/98). One individual suing.

NICOLO V. PHILIP MORRIS, ET AL., Case No. 96-528 B, USDC, Rhode Island (case filed 9/24/96). One individual suing.

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

COCKER V. AMERICAN TOBACCO CO., ET AL., Case No. 1-00-0069, USDC, Middle District Tennessee (case filed 5/22/00). One individual suing.

PERRY, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 2-473-95, Circuit Court, Tennessee, Knox County (case filed 7/20/95). One individual suing.

TEMPLE V. PHILIP MORRIS TOBACCO CORP., ET AL. Case No. 3:00-0126, USDC, Middle District, Tennessee. One individual suing.

ADAMS V. BROWN & WILLIAMSON, ET AL., Case No. 96-17502, District Court of the 164th Judicial District, Texas, Harris County (case filed 4/30/96). One individual suing.

COLUNGA V. AMERICAN BRANDS, INC., ET AL., Case No. C-97-265, USDC, Texas, Southern District (case filed 4/17/97). One individual suing.

HALE, ET AL. V. AMERICAN BRANDS, INC., ET AL., Case No. C-6568-96B, District Court of the 93rd Judicial District, Texas, Hidalgo County (case filed 1/30/97). One individual suing.

HAMILTON, ET AL. V. BGLS, INC., ET AL., Case No. C 70609 6 D, USDC, Texas, Southern District (case filed 2/26/97). Five individuals suing.

HARRIS, ET AL. V. KOCH REFINING CO., ET AL., Case No. 98-03426-00-0-G, District Court of the 319th Judicial District, Texas (case filed 6/10/99). Three individuals suing.

HODGES, ET VIR V. LIGGETT GROUP, INC., ET AL., Case No. 8000\*JG99, District Court of the 239th Judicial District, Texas, Brazoria County (case filed 5/5/99). Two individuals suing.

JACKSON, HAZEL, ET AL. V. PHILIP MORRIS, INC., ET AL., Case No. G-01-071, USDC, Texas, Southern District (case filed 2/7/2001). Five individuals suing.

LUNA V. AMERICAN BRANDS, ET AL., Case No. 96-5654-H, USDC, Texas, Southern District (case filed 2/18/97). One individual suing.

MCLEAN, ET AL. V. PHILIP MORRIS, ET AL., Case No. 2-96-CV-167, USDC, Texas, Eastern District (case filed 8/30/96). Three individuals suing.

MIRELES V. AMERICAN BRANDS, INC., ET AL., Case No. 966143A, District Court of the 28th Judicial District, Texas, Nueces County (case filed 2/14/97). One individual suing.

MISELL, ET AL. V. AMERICAN BRANDS, ET AL., Case No. 96-6287-H, District Court of the 347th Judicial District, Texas, Nueces County (case filed 1/3/97). Four individuals suing.

RAMIREZ V. AMERICAN BRANDS, INC., ET AL., Case No. M-97-050, USDC, Texas, Southern District (case filed 12/23/96). One individual suing.

K V. AMERICAN BRANDS, ET AL., Case No. 97-04-35562, USDC, Texas, Southern District (case filed 7/22/97). Two individuals suing.

THOMPSON, ET AL. V. BROWN & WILLIAMSON, ET AL., Case No. 97-2981-D, District Court of the 105th Judicial District, Texas, Nueces County (case filed 12/15/97). Two individuals suing.

BOWDEN, ET AL. V. R.J. REYNOLDS TOBACCO COMPANY, ET AL., Case No. 98-0068-L, USDC, Virginia, Western District (case filed 1/6/99).

VAUGHAN V. MARK L. EARLEY, ET AL., Case No. 760 CH 99 K 00011-00, Circuit Court, Virginia, Richmond (case filed 1/8/99). One individual suing.

ACCORD, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 00-C-5000, Circuit Court, West Virginia, Ohio County (case filed 9/13/2000). 683 individuals suing.

ADAMS, ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 00-C-5000, Circuit Court, West Virginia, Ohio County (case filed 9/6/2000). 950 individuals suing.

ADKINS, ET AL. V. THE AMERICAN TOBACCO, ET AL., Case No. 00-C-1381, Circuit Court, West Virginia, Kanawha County (case filed 5/31/00). Two individuals suing.

ALLEN, ET AL. V. PHILIP MORRIS INC., ET AL., Case No. 98-C-2337 through 2401, Circuit Court, West Virginia, Kanawha County (case filed 10/1/98). 118 individuals suing.

ANDERSON, ET AL. V. PHILIP MORRIS, ET AL., Case No. 98-C-1773 through 1799, Circuit Court, West Virginia, Kanawha County (case filed 7/31/98). 50 individuals suing.

ANDERSON V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-1370, Circuit Court, Kanawha County, West Virginia (case filed 5/30/00). One individual suing.

BLANKENSHIP, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00C-276, Circuit Court, West Virginia, Ohio County. Two individuals suing.

BISHOP, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 97-C-2696 through 2713, Circuit Court, State of West Virginia, Kanawha County (case filed 10/28/98). One individual suing.

BREWER, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-C-82, Circuit Court, West Virginia, Ohio County. Two individuals suing.

CASTO, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-294, Circuit Court, West Virginia, Ohio County (case filed 7/24/00). Two individuals suing. COUNTS, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-295, Circuit Court, West Virginia, Ohio County (case filed 7/24/2000). Two individuals suing.

CUTLIP, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-293, Circuit Court, West Virginia, Ohio County (case filed 7/24/00). Two individuals suing.

DINGESS, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-251, Circuit Court, West Virginia, Ohio County (case filed 6/22/2000). Two individuals suing.

EDWARDS, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00C-269, Circuit Court, West Virginia, Ohio County (case filed 10/06/98). Two individuals suing.

FLEMING V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 00-C-2063, Circuit Court, West Virginia, Kanawha County. One individual suing.

HARBERT V. AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-1496, Circuit Court, West Virginia, Kanawha County (case filed 6/13/2000). One individual suing.

HEMETEK V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00C-267, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). One individual suing.

HENSLEY V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00C-266, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). One individual suing.

HISSOM, ET AL. V. THE AMERICAN TOBACCO CO., ET AL., Case No. 97-C-1479, Circuit Court, West Virginia, Kanawha County (case filed 9/13/97). Two individuals suing.

HUFFMAN V. THE AMERICAN TOBACCO CO., ET AL., Case No. 98-C-276, Circuit Court, West Virginia, Kanawha County (case filed 2/13/98). Two individuals suing.

JACKSON V. THE AMERICAN TOBACCO CO., ET AL., Case No. 00-C-289, Circuit Court, West Virginia, Ohio County (case filed 7/20/00). Two individuals suing.

JIVIDEN V. THE AMERICAN TOBACCO CO., ET AL., Case No. 98-C-278, Circuit Court, West Virginia, Mason County (case filed 1/19/99). Two individuals suing.

JOHNSON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-247, Circuit Court, West Virginia, Ohio County (case filed 6/16/2000). Two individuals suing.

JONES, V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-1419, Circuit Court, West Virginia, Kanawha County (case filed 6/6/2000). One individual suing.

JORDON, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-274, Circuit Court, West Virginia, Ohio County (case filed 7/10/00). Three individuals suing.

LITTLE, W. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 01-C-235, Circuit Court, West Virginia, Ohio County (case filed 6/4/01). One individual suing.

MACE, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-1411, Circuit Court, West Virginia, Kanawha County (case filed 6/22/2000). One individual suing.

MAYNARD, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00-C-1470, Circuit Court, West Virginia, Kanawha County (case filed 6/9/2000). One individual suing.

MORRIS, ET AL. V. THE AMERICAN TOBACCO COMPANY, ET AL., Case No. 00C-265, Circuit Court, West Virginia, Ohio County (case filed 7/3/2000). Two individuals suing.

NEWKIRK, ET AL. V. LIGGETT GROUP INC., ET AL., Case No. 98-C-1699, Circuit Court, West Virginia, Kanawha County (case filed 7/22/98). One individual suing.

FLOYD V. STATE OF WISCONSIN, ET AL., Case No. 99 CV 001125, Circuit Court, Wisconsin, Milwaukee County (case filed 2/10/99). One individual suing.

#### V. ACTIONS CHALLENGING MSA

PTI, INC., ET AL. V. PHILIP MORRIS INCORPORATED, ET AL., Case No. 99-08235 NM, USDC, Central District of California (case filed 8/13/99). Plaintiffs seek damages, declaratory, equitable, injunctive relief and to invalidate the Master Settlement Agreement between the largest manufacturers of cigarettes in the United States and the Attorneys General of forty-six states and the settlement entered into by the State of Texas settlement.

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

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

## VI. PRICE FIXING CASES

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

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

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

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

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

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

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

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

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



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

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

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

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

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

AMSTERDAM TOBACCO CORP., ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 1:00CV0460, USDC, District of Columbia (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States and elsewhere in the world.

BARNES, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-0003678, Superior Court, District of Columbia (case filed 5/11/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the District of Columbia.

BUFFALO TOBACCO PRODUCTS, INC., ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 1:00CV00224, USDC, District of Columbia (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

HARTZ FOODS V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 1:00CV01053, USDC, District of Columbia (case filed 5/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

BROWNSTEIN V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00002212, Circuit Court, Broward County, Florida (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Florida.

WILLIAMSON OIL COMPANY, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0447, USDC, Georgia, Northern District (case filed 2/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SUWANEE SWIFTY STORES, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0667, USDC, Georgia, Northern District (case filed 3/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

HOLIDAY MARKETS, INC. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-0707, USDC, Georgia, Northern District (case filed 3/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SMITH, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-26, District Court, Kansas, Seward County (case filed 2/7/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Kansas

TAYLOR, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. CV-00-203, Superior Court, Maine (case filed 3/27/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Maine.

DEL SERRONE, ET AL. V. PHILIP MORRIS COMPANIES, INC., Case No. 00-004035 CZ, Circuit Court, Wayne County, Michigan (case filed 2/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Michigan.

LUDKE, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. MC 00-001954, District Court, Hennepin County, Minnesota (case filed 2/15/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

ANDERSON. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-1212, United States District Court, Minnesota (case filed 5/17/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Minnesota.

UNRUH, ET AL. V. R. J. REYNOLDS TOBACCO CO., Case No. CV00-2674, District Court, Washoe County, Nevada (case filed 6/9/00). In this

class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Nevada.

ROMERO, ET AL. V. PHILIP MORRIS COMPANIES, INC. ET AL., Case No. D0117 CV-00000972, District Court, Rio Arriba County, New Mexico (case filed 4/10/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New Mexico.

LENNON, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 102396, Supreme Court of New York, New York County, New York (case filed 2/14/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

SYLVESTER, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 00/601008 Supreme Court of New York, New York County, New York (case filed 3/8/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

NEIRMAN, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Index No. 00/102396, Supreme Court of New York, New York County, New York (case filed 3/6/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of New York.

SHAFER, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-C-1231, District Court, Morton County, North Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of North Dakota.

I. GOLDSHLACK COMPANY V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-CV-1286, USDC, Eastern District of Pennsylvania (case filed 3/9/00). In this class action plaintiff allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the United States.

SWANSON, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00-144, Circuit Court, Hughes County, South Dakota (case filed 4/18/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of South Dakota.

WITHERS, ET AL. V. PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 17, 194-I, Circuit Court, Jefferson County, Tennessee (case filed 2/9/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Tennessee.

KISSEL, ET AL. V. PHILIP MORRIS, ET AL., Case No. 00-C-82, Circuit Court, State of West Virginia, Brooke County (case filed 4/13/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of West Virginia.

CUSATIS V, PHILIP MORRIS COMPANIES, INC., ET AL., Case No. 00CV003676, Circuit Court, Milwaukee County, Wisconsin (case filed 5/5/00). In this class action plaintiffs allege that defendants conspired to fix, raise, stabilize, or maintain prices for cigarettes in the State of Wisconsin.