SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

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

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

1-5759
(Commission File Number)

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

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

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

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

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

33-93576
(Commission File Number)

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

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

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

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

ITEM 5. OTHER EVENTS.

On March 2, 1998, Brooke Group Ltd. (the "Company") and New Valley Corporation issued a press release, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

On March 3, 1998, the Company issued a press release which related, among other things, to the execution by BGLS Inc. of a Standstill Agreement with AIF II, L.P. and an affiliated investment manager on behalf of a managed account, who are holders of BGLS' 15.75% Senior Secured Notes due 2001, and the issuance of warrants to purchase common stock of the Company to such holders. Copies of the press release dated March 3, 1998, the Standstill Agreement, the warrants and certain related agreements are attached hereto as Exhibits 10.1 through 10.10 and Exhibit 99.2 and incorporated herein by reference.

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

(c) Exhibits.

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

EXHIBIT INDEX

10.1 Standstill Agreement, dated as of March 3, 1998, among BGLS and AIF II, L.P. ("AIF") and Artemis America Partnership ("AAP" and collectively, with AIF, the "Apollo Holders").

10.2 Warrant to purchase common stock of the Company, dated March 2, 1998, issued to AIF.

10.3 Warrant to purchase common stock of the Company, dated March 2, 1998, issued to AAP.

10.4 Warrant to purchase common stock of the Company, dated March 2, 1998, issued to AIF.

10.5 Warrant to purchase common stock of the Company, dated March 2, 1998, issued to AAP.

10.6 Registration Rights Agreement, dated as of March 2, 1998, among the Company and the Apollo Holders.

10.7 Registration Rights Agreement, dated as of March 2, 1998, among the Company and the Apollo Holders.

10.8 Limited Recourse Guarantee Agreement, dated as of March 2, 1998, made by Brooke (Overseas) Ltd. ("BOL") for the benefit of the Apollo Holders.

10.9 Pledge Agreement, dated as of March 2, 1998, between BOL and AIF.

10.10 Pledge Agreement, dated as of March 2, 1998, between BOL and AAP.

99.1 Press Release of the Company and New Valley Corporation dated March 2, 1998.

99.2 Press Release of the Company dated March 3, 1998.

SIGNATURE

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

BROOKE GROUP LTD.

By: /s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

BGLS INC.

By: /s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President and Chief Financial Officer

Date: March 4, 1998

EXHIBIT 10.1

STANDSTILL AGREEMENT

THIS STANDSTILL AGREEMENT (this "Agreement"), dated as of March 5, 1998 among BGLS INC., a Delaware corporation (the "Company"), AIF II, L.P., a Delaware limited partnership ("AIF II") and ARTEMIS AMERICA PARTNERSHIP, a Delaware partnership (as successor to Artemis America LLC, a Delaware limited liability company) (together with AIF II, the "Participating Holders"). Capitalized terms not otherwise defined herein shall have the meanings specified in the Indenture (as defined below).

WHEREAS, pursuant to that certain Indenture dated as of January 1, 1996 (the "Indenture") between the Company and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts (the "Trustee"), the Company issued the Series A Securities and the Series B Securities, of which only the Series B Securities remain outstanding;

WHEREAS, the Participating Holders (directly or through one or more nominees or custodians, as more fully described on Schedule 1 hereto) and certain other Holders (the "Other Holders") (the Participating Holders and the Other Holders being collectively referred to herein as the "Holders") own all of the outstanding Series B Securities;

WHEREAS, pursuant to the Standstill Agreement and Consent dated as of August 28, 1997, as amended, among, inter alia, the Company and the Participating Holders (the "Original Standstill Agreement"), the Participating Holders agreed to refrain from exercising remedies as a result of the failure of the Company to pay to the Participating Holders the interest due to the Participating Holders on July 31, 1997 (the "July Interest Amount") and January 31, 1998 (the "January Interest Amount");

WHEREAS, all interest due to the Other Holders, in connection with the July 31, 1997 Interest Payment Date has been paid to such Holders;

WHEREAS, the Company has requested, and each of the Participating Holders has agreed, subject to the terms and conditions set forth in this Agreement, for the period commencing on the date hereof and ending on the earlier of the Maturity Date or the occurrence of a Termination Event (as defined in Section 7) (the "Waiver Period"), (i) to waive any Default or Event of Default existing solely as a result of the failure of the Company to pay to such Participating Holder its pro rata share of the July Interest Amount, the January Interest Amount and all amounts due to such Participating Holders on the remaining Interest Payment Dates through and including July 31, 2000 (the "Remaining Interest Payments" and, together with the July Interest Amount and the January Interest Amount, the "Unpaid Interest Amounts"), with such interest payments to be made to the Participating Holders on the Maturity Date, and (ii) that it shall refrain from exercising its rights and remedies against the Company in connection with the Company's failure to pay such Participating Holder its pro rata share of the Unpaid Interest Amounts;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreement of the parties hereinafter set forth, the parties hereto hereby agree as follows:

1. WAIVER OF DEFAULT. Each of the Participating Holders hereby waives, until the expiration of the Waiver Period, any Default or Event of Default existing solely as a result of the Company's failure to pay to such Participating Holder such Participating Holder's pro rata share of the Unpaid Interest Amounts. The Company acknowledges that (i) interest at a rate of 16.75% per annum has accrued pursuant to Section 2.12 of the Indenture on the July Interest Amount from July 31, 1998 through the date of this Amendment and (ii) interest shall accrue at the rate of 15.75% per annum, compounded on a semi-annual basis, on (a) the July Interest Amount plus the amount accrued pursuant to clause (i) above, (b) the January Interest Amount and (c) each Remaining Interest Payment from the date each such payment is due pursuant to Section 2.13 of the Indenture until all such amounts are paid in full in cash.

2. STANDSTILL. Each of the Participating Holders hereby agrees that during the Waiver Period it will not exercise and shall not direct the Trustee to exercise any remedy under the Indenture or the Series B Securities, at law or in equity, which it or the Trustee now has or hereafter may have in respect of any Default or Event of Default resulting solely from the failure of the Company to pay to such Participating Holder its pro rata share of the Unpaid Interest Amounts.

4. REMOVAL OF SECURITIES FROM DTC. Each of the Participating Holders agrees that, it shall remove its securities from the Depository Trust Company registry prior to July 1, 1998.

5. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THIS AGREEMENT. This Agreement shall become effective upon the execution and delivery by the Company and each of the Participating Holders of the following documents and the payment of all reasonable fees and expenses of Sidley & Austin, counsel to the Participating Holders:

(a) This Agreement;

(b) The five-year Warrants executed by Brooke Group Limited ("BGL") in favor of the Participating Holders for the purchase of an aggregate 2,000,000 shares of the common stock of BGL at an exercise price of $5.00 per share;

(c) The Registration Rights Agreements of even date herewith between BGL and the Participating Holders relating to the shares of BGL referred to in clause 5(b);

(d) The Warrants executed by BGL in favor of the Participating Holders for the purchase of 2,150,000 shares of the common stock of BGL at an exercise price of $.10 per share;

(e) The Registration Rights Agreements of even date herewith between BGL and the Participating Holders relating to the shares of BGL referred to in clause 5(d);

(f) The Limited Recourse Guarantee of even date herewith between Brooke (Overseas) Ltd. (the "Guarantor") and the Participating Holders; and

(g) The Pledge Agreements of even date herewith between the Guarantor and each of the Participating Holders, securing the Limited Recourse Guarantee.

(h) The opinion of Milbank, Tweed, Hadley & McCloy in form and substance reasonably satisfactory to the Participating Holders.

6. TERMINATION. This Standstill Agreement and Consent shall terminate upon the earlier of (i) the payment in full to each Participating Holder of its pro rata share of the Unpaid Interest Amounts, plus all amounts owing thereon pursuant to Section 2.12 of the Indenture and Section 1 hereof , (ii) the occurrence of an Event of Default (other than in connection with the Unpaid Interest Amounts) and (iii) any redemption or other payment of Securities pursuant to Section 3.08 or 3.09 of the Indenture; provided, that this Standstill Agreement shall only terminate with respect to those AgreementSecurities actually redeemed or repurchased from the Participating Holders pursuant to such sections (a "Termination Event").

7. ABSENCE OF WAIVER. The parties hereto agree that, except to the extent expressly set forth herein, nothing contained herein shall be deemed to:

(a) be a consent to, or waiver of, any Default or Event of Default;

(b) prejudice any right or remedy which any of the Participating Holders may now have or may in the future have under the Indenture, the Series B Securities or otherwise, including, without limitation, any right or remedy resulting from any Default or Event of Default; or

(c) constitute a waiver of the rights of any of the Participating Holders under Section 2.12 of the Indenture, except as provided in Section 2 hereof.

8. REPRESENTATIONS. Each party hereto hereby represents and warrants to the other parties that:

(a) such party is a corporation or partnership, as applicable, duly organized, validly existing, and in good standing under the laws of the state of its incorporation or formation, as applicable;

(b) the execution, delivery and performance of this Standstill Agreement and Consent and each of the documents contemplated hereby by such party is

within its corporate or partnership powers, as applicable, has been duly authorized by all necessary corporate or partnership action, as applicable, has received all necessary consents and approvals (if any shall be required), and does not and will not contravene or conflict with any provisions of law or of the charter or by-laws, or partnership agreement, as applicable, of such party or of any material agreement binding upon such party or its property; and

(c) upon its effectiveness under Section 6 hereof, this Standstill Agreement and Consent will be a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms.

In addition, the Company represents and warrants that to the best of its knowledge, except as set forth herein no Default or Event of Default under the Indenture has occurred and is continuing.

9. CONTINUING EFFECT, ETC. Except as expressly provided herein, the Company hereby agrees that the Indenture and the Series B Securities shall continue unchanged and in full force and effect, and all rights, powers and remedies of the Participating Holders thereunder and under applicable law are hereby expressly reserved. In addition, the Company hereby agrees that its obligations under this Standstill Agreement constitute "Secured Obligations" as defined in each of the BGLS Pledge Agreement, the NV Holdings Pledge Agreement and the Pledge Agreements referenced in Section 5(g) above.

10. EXPENSES AND INDEMNIFICATIONS.

(a) The Company hereby agrees to reimburse each of the Participating Holders for their reasonable attorneys fees and expenses incurred in connection with this Standstill Agreement, the Original Standstill Agreement, the letter dated August 28, 1997 between the Company and the Participating Holders, and for legal expenses incurred in connection with a due diligence review of certain litigation matters involving the Company and its subsidiaries and a structuring analysis of various alternatives for the proposed restructuring..

(b) The Company agrees that an actual or threatened or potential claim, action, suit or proceeding against or affecting an Indemnitee (as defined in the Exchange Agreement dated as of November 21, 1995 among inter alia the Company and the Participating Holders) that at any time results from, relates to or arises out of the execution, delivery or performance by the Participating Holders of this Agreement is deemed to be an Indemnification Event (as defined in the Exchange Agreement).

11. MISCELLANEOUS.

(a) Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(b) This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement.

(c) This Agreement shall be a contract made under and governed by the laws of the State of New York.

(d) All obligations of the Company and rights of the Participating Holders expressed herein shall be in addition to and not in limitation of those provided by applicable law.

(e) This Agreement shall be binding upon the Company, the Participating Holders and their respective successors and assigns, and shall inure to the benefit of the Company, the Participating Holders and their respective successors and assigns.

(f) All amendments or modifications of this Agreement and all consents, waivers and notices delivered hereunder or in connection herewith shall be in writing.

12. WAIVER OF JURY TRIAL. EACH OF THE COMPANY AND THE PARTICIPATING HOLDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES HERETO FURTHER AGREE THAT THIS AGREEMENT MAY BE FILED AS EVIDENCE OF THE WAIVER REFERRED TO ABOVE IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

BGLS INC.

By /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

AIF II, L.P.

By APOLLO ADVISORS, L.P.
Managing General Partner

By APOLLO CAPITAL MANAGEMENT, INC.
General Partner

By /s/ John J. Hannan

Name: John J. Hannan
Title:

ARTEMIS AMERICA PARTNERSHIP

By LION ADVISORS, L.P.
Attorney-in-Fact

By LION CAPITAL MANAGEMENT, INC.
General Partner

By /s/ John J. Hannan

Name: John J. Hannan
Title:

ACKNOWLEDGED, AGREED & CONSENTED TO
WITH RESPECT TO SECTION 11(b):

BROOKE GROUP LTD.

By /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

SCHEDULE I

HOLDER	DTC PARTICIPANT (NO.)	PRINCIPAL AMOUNT ($) OF SERIES B NOTES
Artemis America Partnership	The Bank of New York (901)	$42,513,000
AIF II, L.P.	Chase Manhattan Bank, Trust (931)	$54,726,000

EXHIBIT 10.2

BROOKE GROUP LTD.

WARRANT

SECTION 1. WARRANT. AIF II, L.P. (the "Holder") may exercise this Warrant to receive 1,120,000 shares of common stock, $0.10 par value ("Common Stock"), of Brooke Group Ltd., a Delaware corporation (the "Company"), at any time up and until five (5) years from the date listed at the end of this Warrant. The initial exercise price is $5.00 per share. The price and the number of shares purchasable hereunder are subject to adjustment. The Company shall register this Warrant in a warrant register to be maintained by the Company.

SECTION 2. PROCEDURE. To exercise this Warrant, the Holder must (1) complete and sign the exercise notice on the back of the Warrant, (2) surrender the Warrant to the Company or its designated agent, (3) furnish appropriate endorsements and transfer documents if required by the Company, and (4) pay the exercise price and any transfer or similar tax if required. The date on which the Holder satisfies all those requirements is the exercise date. As soon as practical, the Company shall deliver a certificate for the number of full shares of Common Stock issuable upon the exercise and a check for any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the exercise date. If the Holder exercises more than one Warrant, at the same time, the number of full shares issuable upon the exercise shall be based on the total number of shares covered by the Warrants exercised. Upon a surrender of a Warrant that is exercised in part, the Company shall issue for the Holder a new Warrant covering the exercised portion of the Warrant surrendered.

SECTION 3. FRACTIONAL SHARES. The Company will not issue a fractional share of Common Stock upon exercise of a Warrant. Instead the Company will deliver its check for the current market value of the fractional share. The current market value of a fraction of a share is determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the last reported sale price of the Common Stock on the principal national securities exchange where it is traded (the "quoted price") on the last trading day prior to the exercise date. In the absence of such a quotation, the Company shall determine the current market price on the basis of such quotations as it considers appropriate.

SECTION 4. TAXES ON EXERCISE. If the Holder exercises the warrant, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the exercise. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

SECTION 5. COMPANY TO PROVIDE STOCK. The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit exercise of the Warrant. All shares of Common Stock which may be

issued upon exercise of the Warrant shall be full paid and non-assessable. Pursuant and subject to the terms and conditions of that certain Registration Rights Agreement, dated March 2, 1998, by and among the Company and the warrant holders listed therein (the "Registration Rights Agreement"), the Company will use its best efforts to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon exercise of the Warrant and will use its best efforts to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 6. ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or

(5) issues by reclassification of its Common Stock any shares of its capital stock,

then the number of shares issuable on exercise and the exercise price in effect immediately prior to such action shall be adjusted so that the Holder of a Warrant thereafter exercised may receive the number of shares of capital stock of the Company which he would have owned immediately following such action if he had exercised the Warrant immediately prior to such action. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment the Holder upon exercise of a Warrant may receive shares of two or more classes of capital stock of the Company, the Company shall determine the allocation of the adjusted exercise price between the classes of capital stock. After such allocation, the number of shares issuable on exercise and the exercise price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section.

SECTION 7. ADJUSTMENT FOR RIGHTS ISSUE. If the Company distributes any rights, warrants, convertible securities or other common stock equivalents (to the extent that any of the foregoing are exercisable, convertible of otherwise exchangeable for common stock for less than the current market price) to all holders of its Common Stock entitling them for a period expiring within 60 days after the record date mentioned below to purchase shares of Common Stock at a

price per share less than the current market price per share on the record date, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{N \times P}{O + M} \div (O + N)$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- O = the number of shares of Common Stock outstanding on the record date.
- N = the number of additional shares of Common Stock offered.
- P = the offering price per share of the additional shares.
- M = the current market price per share of Common Stock on the record date.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights or warrants.

SECTION 8. ADJUSTMENT FOR OTHER DISTRIBUTIONS. If the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants, convertible securities or other common stock equivalents to purchase securities of the Company, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{M - F}{M}$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- M = the current market price per share of Common Stock on the record date.
- F = the fair market value on the record date of the assets, securities, rights or warrants applicable to one share of Common Stock. The Company shall determine the fair market value.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. This Section does not apply to normal cash dividends or cash distributions. Also, this Section does not apply to rights or warrants referred to in Section 7.

SECTION 9. CURRENT MARKET PRICE, ETC. In Sections 7 and 8 the current market price per share of Common Stock on any date is the average of the quoted prices of the Common Stock for 30 consecutive trading days commencing 45 trading days before the date in question. In the absence of one or more such quotations, the Company shall determine the current market

price on the basis of such quotations as it considers appropriate. If the exercise price is adjusted pursuant to Sections 7 or 8, the number of shares issuable on exercise of this warrant thereafter shall be adjusted by multiplying such number by a fraction the numerator of which is the previous exercise price and the denominator of which is the adjusted exercise price.

SECTION 10. WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the exercise price need be made unless the adjustment would require an increase or decrease of at least 1% in the exercise price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

SECTION 11. WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made for a transaction referred to in Sections 6, 7 or 8 if the Holder is to participate in the transaction on the basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value or no par value of the Common Stock. To the extent the Warrant becomes exercisable for cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 12. NOTICE OF ADJUSTMENT. Whenever the exercise price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment. The Company shall obtain a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct.

SECTION 13. NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the exercise price to Sections 6, 7 or 8 and if the Company does not let the Holder participate pursuant to Section 11;

(2) the Company takes any action that would require an instrument of assumption pursuant to Section 14; or

(3) there is a liquidation or dissolution of the Company,

the Company shall mail to the Holder a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 14. REORGANIZATION OF COMPANY. If the Company is a party to a recapitalization or a merger or consolidation which reclassifies or changes its outstanding

Common Stock, the person obligated to deliver securities, cash or other assets upon exercise of the Warrant shall assume the Company's obligations under this Warrant. The instrument of assumption shall provide that the Holder may exercise it into the kind and amount of securities, cash or other assets which he would have owned immediately after the recapitalization, consolidation or merger if he had exercised the Warrant immediately before the effective date of the transaction. The instrument of assumption shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Warrant. The successor Company shall mail to the Holder a notice briefly describing the instrument of assumption.

SECTION 15. COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Sections 3, 6, 9 or 11 is conclusive, if made in good faith, absent manifest error.

SECTION 16. TRANSFER AND EXCHANGE. The Holder may transfer this Warrant to any of its partners or any affiliated investment account entity. Except as permitted by the immediately preceding sentence, the Warrant is not transferable (a) prior to May 31, 1998 (unless the Company is diligently pursuing the effectiveness of the registration of a registration statement, in which case prior to July 15, 1998) or (b) so long as an effective Registration Statement (as defined in the Registration Rights Agreement) for the shares of Common Stock is on file with the Securities and Exchange Commission. Subject to the preceding sentence, the Warrant may be presented for transfer or exchange at the principal office of the Company. When the Warrant is presented to the Company with a request to register transfer or to exchange it for the Warrant covering an equal number of shares of Common Stock, the Company shall register the transfer or make the exchange. The Company may charge a reasonable fee for any registration of transfer or exchange. Notwithstanding the foregoing, neither this Warrant nor the underlying Common Stock has been registered, and transfer thereof is subject to applicable securities law restrictions. A legend in substantially the following form shall be placed on each such security:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY REQUIRED REGISTRATION OR QUALIFICATION UNDER ANY STATE SECURITIES LAWS, OR THE PROPOSED TRANSACTION DOES NOT REQUIRE REGISTRATION OR QUALIFICATION UNDER FEDERAL OR STATE SECURITIES LAWS."

SECTION 17. REPLACEMENT SECURITIES. If the Holder of a Warrant claims that his Warrant has been lost, destroyed or wrongfully taken, the Company shall issue a replacement. If required by the Company, an indemnity bond must be sufficient in its judgment to protect the Company from any loss which any Holder of a Warrant may suffer if a Warrant is replaced. The Company may charge for its expenses in replacing a Warrant.

SECTION 18. NOTICES. Any notice or communication to the Company is duly given if in writing and delivered in person or mailed by first-class mail to its principal executive offices

at 100 S.E. Second Street, 32nd Floor, Miami, Florida, 33131, Attn: Chairman of the Board. The Company by notice may designate additional or different addresses for subsequent notices or communications. Any notice or communication to the Holder shall be mailed by first-class mail to his address shown on the register kept by the Company. Failure to mail a notice or communication to the Holder or any defect in it shall not affect its sufficiency with respect to any other holder of warrants relating to the Company's Common Stock. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

SECTION 19. LIABILITY. No Holder as such shall have any liability as a stockholder of the Company.

SECTION 20. GOVERNING LAW. This Warrant shall be governed by the internal law of New York.

BROOKE GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title:Executive Vice President

Date: March 2, 1998

[Form of Election to Purchase]

(To be Executed upon Exercise of the Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for and purchases _____ shares of Common Stock and tenders payment for such shares to the order of Brooke Group Ltd. in the amount of $_____ in accordance with the terms of this Warrant. The undersigned requests that certificate(s) for such shares be issued and registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable under this Warrant, the undersigned requests that a new Warrant representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant be delivered to _____, whose address is _____

Date:

By:
Name:
Its:

EXHIBIT 10.3

BROOKE GROUP LTD.

WARRANT

SECTION 1. WARRANT. Artemis America Partnership (the "Holder") may exercise this Warrant to receive 880,000 shares of common stock, $0.10 par value ("Common Stock"), of Brooke Group Ltd., a Delaware corporation (the "Company"), at any time up and until five (5) years from the date listed at the end of this Warrant. The initial exercise price is $5.00 per share. The price and the number of shares purchasable hereunder are subject to adjustment. The Company shall register this Warrant in a warrant register to be maintained by the Company.

SECTION 2. PROCEDURE. To exercise this Warrant, the Holder must (1) complete and sign the exercise notice on the back of the Warrant, (2) surrender the Warrant to the Company or its designated agent, (3) furnish appropriate endorsements and transfer documents if required by the Company, and (4) pay the exercise price and any transfer or similar tax if required. The date on which the Holder satisfies all those requirements is the exercise date. As soon as practical, the Company shall deliver a certificate for the number of full shares of Common Stock issuable upon the exercise and a check for any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the exercise date. If the Holder exercises more than one Warrant, at the same time, the number of full shares issuable upon the exercise shall be based on the total number of shares covered by the Warrants exercised. Upon a surrender of a Warrant that is exercised in part, the Company shall issue for the Holder a new Warrant covering the exercised portion of the Warrant surrendered.

SECTION 3. FRACTIONAL SHARES. The Company will not issue a fractional share of Common Stock upon exercise of a Warrant. Instead the Company will deliver its check for the current market value of the fractional share. The current market value of a fraction of a share is determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the last reported sale price of the Common Stock on the principal national securities exchange where it is traded (the "quoted price") on the last trading day prior to the exercise date. In the absence of such a quotation, the Company shall determine the current market price on the basis of such quotations as it considers appropriate.

SECTION 4. TAXES ON EXERCISE. If the Holder exercises the Warrant, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the exercise. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

SECTION 5. COMPANY TO PROVIDE STOCK. The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit exercise of the Warrant. All shares of Common Stock which may be

issued upon exercise of the Warrant shall be fully paid and non-assessable. Pursuant and subject to the terms and conditions of that certain Registration Rights Agreement, dated March 2, 1998, by and among the Company and the warrant holders listed therein (the "Registration Rights Agreement"), the Company will use its best efforts to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon exercise of the Warrant and will use its best efforts to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 6. ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or

(5) issues by reclassification of its Common Stock any shares of its capital stock,

then the number of shares issuable on exercise and the exercise price in effect immediately prior to such action shall be adjusted so that the Holder of a Warrant thereafter exercised may receive the number of shares of capital stock of the Company which he would have owned immediately following such action if he had exercised the Warrant immediately prior to such action. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment the Holder upon exercise of a Warrant may receive shares of two or more classes of capital stock of the Company, the Company shall determine the allocation of the adjusted exercise price between the classes of capital stock. After such allocation, the number of shares issuable on exercise and the exercise price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section.

SECTION 7. ADJUSTMENT FOR RIGHTS ISSUE. If the Company distributes any rights, warrants, convertible securities or other common stock equivalents (to the extent that any of the foregoing are exercisable, convertible or otherwise exchangeable for common stock less than the current market price) to all holders of its Common Stock entitling them for a period expiring within 60 days after the record date mentioned below to purchase shares of Common Stock at a price per share less than the current market price per share on the record date, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{N \times P}{O + M} \over O + N$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- O = the number of shares of Common Stock outstanding on the record date.
- N = the number of additional shares of Common Stock offered.
- P = the offering price per share of the additional shares.
- M = the current market price per share of Common Stock on the record date.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights or warrants.

SECTION 8. ADJUSTMENT FOR OTHER DISTRIBUTIONS. If the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants, convertible securities or other common stock equivalents to purchase securities of the Company, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{M - F}{M}$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- M = the current market price per share of Common Stock on the record date.
- F = the fair market value on the record date of the assets, securities, rights or warrants applicable to one share of Common Stock. The Company shall determine the fair market value.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. This Section does not apply to normal cash dividends or cash distributions. Also, this Section does not apply to rights or warrants referred to in Section 7.

SECTION 9. CURRENT MARKET PRICE, ETC. In Sections 7 and 8 the current market price per share of Common Stock on any date is the average of the quoted prices of the Common Stock for 30 consecutive trading days commencing 45 trading days before the date in question. In the absence of one or more such quotations, the Company shall determine the current market price on the basis of such quotations as it considers appropriate. If the exercise price is adjusted pursuant to Sections 7 or 8, the number of shares issuable on exercise of this warrant thereafter shall be adjusted by multiplying such number by a fraction the numerator of which is the previous exercise price and the denominator of which is the adjusted exercise price.

SECTION 10. WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the exercise price need be made unless the adjustment would require an increase or decrease of at least 1% in the exercise price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

SECTION 11. WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made for a transaction referred to in Sections 6, 7 or 8 if the Holder is to participate in the transaction on the basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value or no par value of the Common Stock. To the extent the Warrant becomes exercisable for cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 12. NOTICE OF ADJUSTMENT. Whenever the exercise price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment. The Company shall obtain a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct.

SECTION 13. NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the exercise price to Sections 6, 7 or 8 and if the Company does not let the Holder participate pursuant to Section 11;

(2) the Company takes any action that would require an instrument of assumption pursuant to Section 14; or

(3) there is a liquidation or dissolution of the Company,

the Company shall mail to the Holder a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 14. REORGANIZATION OF COMPANY. If the Company is a party to a recapitalization or a merger or consolidation which reclassifies or changes its outstanding Common Stock, the person obligated to deliver securities, cash or other assets upon exercise of the Warrant shall assume the Company's obligations under this Warrant. The instrument of assumption shall provide that the Holder may exercise it into the kind and amount of securities, cash or other assets which he would have owned immediately after the recapitalization, consolidation or merger if he had exercised the Warrant immediately before the effective date of the transaction. The instrument of assumption shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Warrant. The successor Company shall mail to the Holder a notice briefly describing the instrument of assumption.

SECTION 15. COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Sections 3, 6, 9 or 11 is conclusive, if made in good faith, absent manifest error.

SECTION 16. TRANSFER AND EXCHANGE. The Holder may transfer this Warrant to any of its partners or any affiliated investment account entity. Except as permitted by the immediately preceding sentence, the Warrant is not transferable (a) prior to May 31, 1998 (unless the Company is diligently pursuing the effectiveness of the registration of a registration statement, in which case prior to July 15, 1998) or (b) so long as an effective Registration Statement (as defined in the Registration Rights Agreement) for the shares of Common Stock is on file with the Securities and Exchange Commission. Subject to the preceding sentence, the Warrant may be presented for transfer or exchange at the principal office of the Company. When the Warrant is presented to the Company with a request to register transfer or to exchange it for the Warrant covering an equal number of shares of Common Stock, the Company shall register the transfer or make the exchange. The Company may charge a reasonable fee for any registration of transfer or exchange. Notwithstanding the foregoing, neither this Warrant nor the underlying Common Stock has been registered, and transfer thereof is subject to applicable securities law restrictions. A legend in substantially the following form shall be placed on each such security:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY REQUIRED REGISTRATION OR QUALIFICATION UNDER ANY STATE SECURITIES LAWS, OR THE PROPOSED TRANSACTION DOES NOT REQUIRE REGISTRATION OR QUALIFICATION UNDER FEDERAL OR STATE SECURITIES LAWS."

SECTION 17. REPLACEMENT SECURITIES. If the Holder of a Warrant claims that his Warrant has been lost, destroyed or wrongfully taken, the Company shall issue a replacement. If required by the Company, an indemnity bond must be sufficient in its judgment to protect the Company from any loss which any Holder of a Warrant may suffer if a Warrant is replaced. The Company may charge for its expenses in replacing a Warrant.

SECTION 18. NOTICES. Any notice or communication to the Company is duly given if in writing and delivered in person or mailed by first-class mail to its principal executive offices at 100 S.E. Second Street, 32nd Floor, Miami, Florida, 33131, Attn: Chairman of the Board. The Company by notice may designate additional or different addresses for subsequent notices or communications. Any notice or communication to the Holder shall be mailed by first-class mail to his address shown on the register kept by the Company. Failure to mail a notice or communication to the Holder or any defect in it shall not affect its sufficiency with respect to any other holder of warrants relating to the Company's Common Stock. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

SECTION 19. LIABILITY. No Holder as such shall have any liability as a stockholder of the Company.

SECTION 20. GOVERNING LAW. This Warrant shall be governed by the internal law of New York.

BROOKE GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

Date: March 2, 1998

[Form of Election to Purchase]

(To be Executed upon Exercise of the Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for and purchases _____ shares of Common Stock and tenders payment for such shares to the order of Brooke Group Ltd. in the amount of $_____ in accordance with the terms of this Warrant. The undersigned requests that certificate(s) for such shares be issued and registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable under this Warrant, the undersigned requests that a new Warrant representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant be delivered to _____, whose address is _____

Date: _____ By: _____

Name: _____

Its: _____

EXHIBIT 10.4

BROOKE GROUP LTD.

WARRANT

SECTION 1. WARRANT. AIF II, L.P. (the "Holder") may exercise this Warrant to receive 1,204,000 shares of common stock, $0.10 par value ("Common Stock"), of Brooke Group Ltd., a Delaware corporation (the "Company"), at any time after October 31, 1999 and up and until October 31, 2004. The initial exercise price of this Warrant is $0.10 per share. The price and the number of shares purchasable under this Warrant are subject to adjustment. The Company shall register this Warrant in a warrant register to be maintained by the Company.

SECTION 2. SUBSTITUTION OF LIGGETT WARRANT. The Company may, upon giving the Holder 60 days prior written notice, substitute (the "Warrant Substitution") a new warrant (the "Liggett Warrant") for this Warrant. The Warrant Substitution must occur prior to October 31, 1999. The Liggett Warrant will entitle the Holder to acquire a number of shares of common stock, $0.10 par value (the "Liggett Common Shares"), of Liggett Group, Inc., a Delaware corporation ("Liggett"), equal to 9.90% of the total number of Liggett Common Shares issued and outstanding following the exercise in full of the Liggett Warrant. The initial exercise price of the Liggett Warrant shall be $0.10 per Liggett Common Share. The Liggett Warrant will be exercisable at any time, in whole or in part, on or prior to October 31, 2004, and shall have terms and conditions identical to this Warrant, except as set forth herein. In the event of a substitution pursuant to this Section 2, Liggett shall register the Liggett Warrant in a warrant register to be maintained by Liggett. Upon the Warrant Substitution, this Warrant shall automatically be cancelled and the Holder shall immediately return this Warrant to the Company.

The Holder will be obligated to accept the Liggett Warrant in the Warrant Substitution only if the following conditions shall have been satisfied:

a. Liggett shall have complied with the terms of all covenants set forth in the Indenture, dated as of February 14, 1992, by and among Liggett, Eve Holdings, Inc. and Bankers Trust Company, as trustee, as amended (the "Liggett Indenture") that govern or prohibit changes to Liggett's capital structure or transactions with "Affiliates," whether or not the Liggett Indenture remains in effect at the time of the Warrant Substitution;

b. The Warrant Substitution shall not be precluded by the Liggett Indenture or the Indenture, dated as of January 1, 1996, by and between BGLS Inc. and State Street Bank and Trust Company (as successor to Fleet National Bank of Massachusetts), as trustee;

c. No Termination Event shall have occurred under the Standstill Agreement, dated as of February 27, 1997, by and among BGLS Inc., the Holder, and Artemis America Partnership;

e. The Company, Liggett and the Holder shall have entered into mutually satisfactory agreements providing certain protections to the Holder as a minority shareholder of Liggett, including preemptive rights, limitations on transactions with affiliates, covenants similar to those set forth in the Liggett Indenture and other reasonable rights; and

f. The Company, Liggett and the Holder shall have entered into a mutually satisfactory agreement that establishes methods for the Holder to realize the fair market value of the Liggett Warrant as soon as practicable following the Warrant Substitution and establishes methods for the Company to cause the Holder to participate in sales of the Liggett Common Shares.

The Company and the Holder agree to commence discussions regarding the matters described in subparagraphs d and e above as soon as possible with a view to entering into definitive agreements on or prior to May 1, 1998.

SECTION 3. PROCEDURE. To exercise this Warrant, the Holder must (1) complete and sign the exercise notice on the back of the Warrant, (2) surrender the Warrant to the Company or its designated agent, (3) furnish appropriate endorsements and transfer documents if required by the Company, and (4) pay the exercise price and any transfer or similar tax if required. The date on which the Holder satisfies all those requirements is the exercise date. As soon as practical, the Company shall deliver a certificate for the number of full shares of Common Stock issuable upon the exercise and a check for any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the exercise date. If the Holder exercises more than one Warrant, at the same time, the number of full shares issuable upon the exercise shall be based on the total number of shares covered by the Warrant exercised. Upon a surrender of a Warrant that is exercised in part, the Company shall issue for the Holder a new Warrant covering the exercised portion of the Warrant surrendered.

SECTION 4. FRACTIONAL SHARES. The Company will not issue a fractional share of Common Stock upon exercise of a Warrant. Instead the Company will deliver its check for the current market value of the fractional share. The current market value of a fraction of a share is determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the last reported sale price of the Common Stock on the principal national securities exchange where it is traded (the "quoted price") on the last trading day prior to the exercise date. In the absence of such a quotation, the Company shall determine the current market price on the basis of such quotations as it considers appropriate.

SECTION 5. TAXES ON EXERCISE. If the Holder exercises the Warrant, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of

Common Stock upon the exercise. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

SECTION 6. COMPANY TO PROVIDE STOCK. The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit exercise of the Warrant. All shares of Common Stock which may be issued upon exercise of the Warrant shall be fully paid and non-assessable. Pursuant and subject to the terms and conditions of that certain Registration Rights Agreement, dated March 2, 1998, by and among the Company and the warrant holders listed therein (the "Registration Rights Agreement"), the Company will use its best efforts to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon exercise of the Warrant and will use it best efforts to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 7. ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or

(5) issues by reclassification of its Common Stock any shares of its capital stock,

then the number of shares issuable on exercise and the exercise price in effect immediately prior to such action shall be adjusted so that the Holder of a Warrant thereafter exercised may receive the number of shares of capital stock of the Company which he would have owned immediately following such action if he had exercised the Warrant immediately prior to such action. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment the Holder upon exercise of a Warrant may receive shares of two or more classes of capital stock of the Company, the Company shall determine the allocation of the adjusted exercise price between the classes of capital stock. After such allocation, the number of shares issuable on exercise and the exercise price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section.

SECTION 8. ADJUSTMENT FOR RIGHTS ISSUE. If the Company distributes any rights, warrants, convertible securities or other common stock equivalents (to the extent that any of the foregoing are exercisable, convertible or otherwise exchangeable for common stock for less than the current market price) to all holders of its Common Stock entitling them for a period expiring within 60 days after the record date mentioned below to purchase shares of Common Stock at a price per share less than the current market price per share on the record date, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{O + N}{O + M \times P}$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- O = the number of shares of Common Stock outstanding on the record date.
- N = the number of additional shares of Common Stock offered.
- P = the offering price per share of the additional shares.
- M = the current market price per share of Common Stock on the record date.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights or warrants.

SECTION 9. ADJUSTMENT FOR OTHER DISTRIBUTIONS. If the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants, convertible securities or other common stock equivalents to purchase securities of the Company, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{M - F}{M}$$

where:

- C' = the adjusted exercise price.
- C = the current exercise price.
- M = the current market price per share of Common Stock on the record date.
- F = the fair market value on the record date of the assets, securities, rights or warrants applicable to one share of Common Stock. The Company shall determine the fair market value.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. This Section does not apply to normal cash

dividends or cash distributions. Also, this Section does not apply to rights or warrants referred to in Section 8.

SECTION 10. CURRENT MARKET PRICE, ETC. In Sections 8 and 9 the current market price per share of Common Stock on any date is the average of the quoted prices of the Common Stock for 30 consecutive trading days commencing 45 trading days before the date in question. In the absence of one or more such quotations, the Company shall determine the current market price on the basis of such quotations as it considers appropriate. If the exercise price is adjusted pursuant to Sections 8 or 9, the number of shares issuable on exercise of this warrant thereafter shall be adjusted by multiplying such number by a fraction the numerator of which is the previous exercise price and the denominator of which is the adjusted exercise price.

SECTION 11. WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the exercise price need be made unless the adjustment would require an increase or decrease of at least 1% in the exercise price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

SECTION 12. WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made for a transaction referred to in Sections 7, 8 or 9 if the Holder is to participate in the transaction on the basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value or no par value of the Common Stock. To the extent the Warrant becomes exercisable for cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 13. NOTICE OF ADJUSTMENT. Whenever the exercise price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment. The Company shall obtain a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct.

SECTION 14. NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the exercise price to Sections 7, 8 or 9 and if the Company does not let the Holder participate pursuant to Section 12;

(2) the Company takes any action that would require an instrument of assumption pursuant to Section 15; or

(3) there is a liquidation or dissolution of the Company,

the Company shall mail to the Holder a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 15. REORGANIZATION OF COMPANY. If the Company is a party to a recapitalization or a merger or consolidation which reclassifies or changes its outstanding Common Stock, the person obligated to deliver securities, cash or other assets upon exercise of the Warrant shall assume the Company's obligations under this Warrant. The instrument of assumption shall provide that the Holder may exercise it into the kind and amount of securities, cash or other assets which he would have owned immediately after the recapitalization, consolidation or merger if he had exercised the Warrant immediately before the effective date of the transaction. The instrument of assumption shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Warrant. The successor Company shall mail to the Holder a notice briefly describing the instrument of assumption.

SECTION 16. COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Sections 4, 7, 10 or 12 is conclusive, if made in good faith, absent manifest error.

SECTION 17. TRANSFER AND EXCHANGE. The Holder may transfer this Warrant to any of its partners or any affiliated investment account entity. Except as permitted by the immediately preceding sentence, the Warrant is not transferable (a) prior to October 31, 1999 or (b) so long as an effective Registration Statement (as defined in the Registration Rights Agreement) for the shares of Common Stock is on file with the Securities and Exchange Commission. Subject to the preceding sentence, the Warrant may be presented for transfer or exchange at the principal office of the Company. When the Warrant is presented to the Company with a request to register transfer or to exchange it for Warrants covering an equal number of shares of Common Stock, the Company shall register the transfer or make the exchange. The Company may charge a reasonable fee for any registration of transfer or exchange. Notwithstanding the foregoing, neither this Warrant nor the underlying Common Stock has been registered, and transfer thereof is subject to applicable securities law restrictions. A legend in substantially the following form shall be placed on each such security:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY REQUIRED REGISTRATION OR QUALIFICATION UNDER ANY STATE SECURITIES LAWS, OR THE PROPOSED TRANSACTION DOES NOT REQUIRE REGISTRATION OR QUALIFICATION UNDER FEDERAL OR STATE SECURITIES LAWS."

SECTION 18. REPLACEMENT SECURITIES. If the Holder of a Warrant claims that the Holder's Warrant has been lost, destroyed or wrongfully taken, the Company shall issue a replacement. If required by the Company, an indemnity bond must be sufficient in its judgment to protect the Company from any loss which any Holder of a Warrant may suffer if a Warrant is replaced. The Company may charge for its expenses in replacing a Warrant.

SECTION 19. NOTICES. Any notice or communication to the Company is duly given if in writing and delivered in person or mailed by first-class mail to its principal executive offices at 100 S.E. Second Street, 32nd Floor, Miami, Florida, 33131, Attn: Chairman of the Board. The Company by notice may designate additional or different addresses for subsequent notices or communications. Any notice or communication to the Holder shall be mailed by first-class mail to the Holder's address shown on the register kept by the Company. Failure to mail a notice or communication to the Holder or any defect in it shall not affect its sufficiency with respect to any other holders of warrants relating to the Company's Common Stock. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

SECTION 20. LIABILITY. No Holder as such shall have any liability as a stockholder of the Company.

SECTION 22. GOVERNING LAW. This Warrant shall be governed by the internal law of New York.

BROOKE GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

Date: March 2, 1998

[Form of Election to Purchase]

(To be Executed upon Exercise of the Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for and purchases _____ shares of Common Stock and tenders payment for such shares to the order of Brooke Group Ltd. in the amount of $_____ in accordance with the terms of this Warrant. The undersigned requests that certificate(s) for such shares be issued and registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable under this Warrant, the undersigned requests that a new Warrant representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant be delivered to _____, whose address is _____.

Date:

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

Name: ----------

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

EXHIBIT 10.5

BROOKE GROUP LTD.

WARRANT

SECTION 1. WARRANT. Artemis America Partnership (the "Holder") may exercise this Warrant to receive 946,000 shares of common stock, $0.10 par value ("Common Stock"), of Brooke Group Ltd., a Delaware corporation (the "Company"), at any time after October 31, 1999 and up and until October 31, 2004. The initial exercise price of this Warrant is $0.10 per share. The price and the number of shares purchasable under this Warrant are subject to adjustment. The Company shall register this Warrant in a warrant register to be maintained by the Company.

SECTION 2. SUBSTITUTION OF LIGGETT WARRANT. The Company may, upon giving the Holder 60 days prior written notice, substitute (the "Warrant Substitution") a new warrant (the "Liggett Warrant") for this Warrant. The Warrant Substitution must occur prior to October 31, 1999. The Liggett Warrant will entitle the Holder to acquire a number of shares of common stock, $0.10 par value (the "Liggett Common Shares"), of Liggett Group, Inc., a Delaware corporation ("Liggett"), equal to 9.90% of the total number of Liggett Common Shares issued and outstanding following the exercise in full of the Liggett Warrant. The initial exercise price of the Liggett Warrant shall be $0.10 per Liggett Common Share. The Liggett Warrant will be exercisable at any time, in whole or in part, on or prior to October 31, 2004, and shall have terms and conditions identical to this Warrant, except as set forth herein. In the event of a substitution pursuant to this Section 2, Liggett shall register the Liggett Warrant in a warrant register to be maintained by Liggett. Upon the Warrant Substitution, this Warrant shall automatically be cancelled and the Holder shall immediately return this Warrant to the Company.

The Holder will be obligated to accept the Liggett Warrant in the Warrant Substitution only if the following conditions shall have been satisfied:

a. Liggett shall have complied with the terms of all covenants set forth in the Indenture, dated as of February 14, 1992, by and among Liggett, Eve Holdings, Inc. and Bankers Trust Company, as trustee, as amended (the "Liggett Indenture") that govern or prohibit changes to Liggett's capital structure or transactions with "Affiliates," whether or not the Liggett Indenture remains in effect at the time of the Warrant Substitution;

b. The Warrant Substitution shall not be precluded by the Liggett Indenture or the Indenture, dated as of January 1, 1996, by and between BGLS Inc. and State Street Bank and Trust Company (as successor to Fleet National Bank of Massachusetts), as trustee;

c. No Termination Event shall have occurred under the Standstill Agreement, dated as of February 27, 1997, by and among BGLS Inc., AIF II, L.P., and the Holder;

d. The Company, Liggett and the Holder shall have entered into mutually satisfactory agreements providing certain protections to the Holder as a minority shareholder of Liggett, including preemptive rights, limitations on transactions with affiliates, covenants similar to those set forth in the Liggett Indenture and other reasonable rights; and

e. The Company, Liggett and the Holder shall have entered into a mutually satisfactory agreement that establishes methods for the Holder to realize the fair market value of the Liggett Warrant as soon as practicable following the Warrant Substitution and establishes methods for the Company to cause the Holder to participate in sales of the Liggett Common Shares.

The Company and the Holder agree to commence discussions regarding the matters described in subparagraphs d and e above as soon as possible with a view to entering into definitive agreements on or prior to May 1, 1998.

SECTION 3. PROCEDURE. To exercise this Warrant, the Holder must (1) complete and sign the exercise notice on the back of the Warrant, (2) surrender the Warrant to the Company or its designated agent, (3) furnish appropriate endorsements and transfer documents if required by the Company, and (4) pay the exercise price and any transfer or similar tax if required. The date on which the Holder satisfies all those requirements is the exercise date. As soon as practical, the Company shall deliver a certificate for the number of full shares of Common Stock issuable upon the exercise and a check for any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the exercise date. If the Holder exercises more than one Warrant, at the same time, the number of full shares issuable upon the exercise shall be based on the total number of shares covered by the Warrant exercised. Upon a surrender of a Warrant that is exercised in part, the Company shall issue for the Holder a new Warrant covering the exercised portion of the Warrant surrendered.

SECTION 4. FRACTIONAL SHARES. The Company will not issue a fractional share of Common Stock upon exercise of a Warrant. Instead the Company will deliver its check for the current market value of the fractional share. The current market value of a fraction of a share is determined as follows: Multiply the current market price of a full share by the fraction. Round the result to the nearest cent. The current market price of a share of Common Stock is the last reported sale price of the Common Stock on the principal national securities exchange where it is traded (the "quoted price") on the last trading day prior to the exercise date. In the absence of such a quotation, the Company shall determine the current market price on the basis of such quotations as it considers appropriate.

SECTION 5. TAXES ON EXERCISE. If the Holder exercises the Warrant, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the exercise. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

SECTION 6. COMPANY TO PROVIDE STOCK. The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit exercise of the Warrant. All shares of Common Stock which may be issued upon exercise of the Warrant shall be fully paid and non-assessable. Pursuant and subject to the terms and conditions of that certain Registration Rights Agreement, dated March 2, 1998, by and among the Company and the warrant holders listed therein (the "Registration Rights Agreement"), the Company will use its best efforts to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon exercise of the Warrant and will use it best efforts to list such shares on each national securities exchange on which the Common Stock is listed.

SECTION 7. ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or

(5) issues by reclassification of its Common Stock any shares of its capital stock,

then the number of shares issuable on exercise and the exercise price in effect immediately prior to such action shall be adjusted so that the Holder of a Warrant thereafter exercised may receive the number of shares of capital stock of the Company which he would have owned immediately following such action if he had exercised the Warrant immediately prior to such action. The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment the Holder upon exercise of a Warrant may receive shares of two or more classes of capital stock of the Company, the Company shall determine the allocation of the adjusted exercise price between the classes of capital stock. After such allocation, the number of shares issuable on exercise and the exercise price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section.

SECTION 8. ADJUSTMENT FOR RIGHTS ISSUE. If the Company distributes any rights, warrants, convertible securities or other common stock equivalents (to the extent that any of the

foregoing are exercisable, convertible or otherwise exchangeable for common stock for less than the current market price) to all holders of its Common Stock entitling them for a period expiring within 60 days after the record date mentioned below to purchase shares of Common Stock at a price per share less than the current market price per share on the record date, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{O + M}{O + N}$$

where:

C' = the adjusted exercise price.
C = the current exercise price.
O = the number of shares of Common Stock outstanding on the record date.
N = the number of additional shares of Common Stock offered.
P = the offering price per share of the additional shares.
M = the current market price per share of Common Stock on the record date.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights or warrants.

SECTION 9. ADJUSTMENT FOR OTHER DISTRIBUTIONS. If the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants, convertible securities or other common stock equivalents to purchase securities of the Company, the exercise price shall be adjusted in accordance with the formula:

$$C' = C \times \frac{M - F}{M}$$

where:

C' = the adjusted exercise price.
C = the current exercise price.
M = the current market price per share of Common Stock on the record date.
F = the fair market value on the record date of the assets, securities, rights or warrants applicable to one share of Common Stock. The Company shall determine the fair market value.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. This Section does not apply to normal cash dividends or cash distributions. Also, this Section does not apply to rights or warrants referred to in Section 8.

SECTION 10. CURRENT MARKET PRICE, ETC. In Sections 8 and 9 the current market price per share of Common Stock on any date is the average of the quoted prices of the Common Stock for 30 consecutive trading days commencing 45 trading days before the date in question. In the absence of one or more such quotations, the Company shall determine the current market price on the basis of such quotations as it considers appropriate. If the exercise price is adjusted pursuant to Sections 8 or 9, the number of shares issuable on exercise of this warrant thereafter shall be adjusted by multiplying such number by a fraction the numerator of which is the previous exercise price and the denominator of which is the adjusted exercise price.

SECTION 11. WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the exercise price need be made unless the adjustment would require an increase or decrease of at least 1% in the exercise price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

SECTION 12. WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made for a transaction referred to in Sections 7, 8 or 9 if the Holder is to participate in the transaction on the basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value or no par value of the Common Stock. To the extent the Warrant becomes exercisable for cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 13. NOTICE OF ADJUSTMENT. Whenever the exercise price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment. The Company shall obtain a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct.

SECTION 14. NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the exercise price to Sections 7, 8 or 9 and if the Company does not let the Holder participate pursuant to Section 12;

(2) the Company takes any action that would require an instrument of assumption pursuant to Section 15; or

(3) there is a liquidation or dissolution of the Company,

the Company shall mail to the Holder a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the

notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 15. REORGANIZATION OF COMPANY. If the Company is a party to a recapitalization or a merger or consolidation which reclassifies or changes its outstanding Common Stock, the person obligated to deliver securities, cash or other assets upon exercise of the Warrant shall assume the Company's obligations under this Warrant. The instrument of assumption shall provide that the Holder may exercise it into the kind and amount of securities, cash or other assets which he would have owned immediately after the recapitalization, consolidation or merger if he had exercised the Warrant immediately before the effective date of the transaction. The instrument of assumption shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Warrant. The successor Company shall mail to the Holder a notice briefly describing the instrument of assumption.

SECTION 16. COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Sections 4, 7, 10 or 12 is conclusive, if made in good faith, absent manifest error.

SECTION 17. TRANSFER AND EXCHANGE. The Holder may transfer this Warrant to any of its partners or any affiliated investment account entity. Except as permitted by the immediately preceding sentence, the Warrant is not transferable (a) prior to October 31, 1999 or (b) so long as an effective Registration Statement (as defined in the Registration Rights Agreement) for the shares of Common Stock is on file with the Securities and Exchange Commission. Subject to the preceding sentence, the Warrant may be presented for transfer or exchange at the principal office of the Company. When the Warrant is presented to the Company with a request to register transfer or to exchange it for Warrants covering an equal number of shares of Common Stock, the Company shall register the transfer or make the exchange. The Company may charge a reasonable fee for any registration of transfer or exchange. Notwithstanding the foregoing, neither this Warrant nor the underlying Common Stock has been registered, and transfer thereof is subject to applicable securities law restrictions. A legend in substantially the following form shall be placed on each such security:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY REQUIRED REGISTRATION OR QUALIFICATION UNDER ANY STATE SECURITIES LAWS, OR THE PROPOSED TRANSACTION DOES NOT REQUIRE REGISTRATION OR QUALIFICATION UNDER FEDERAL OR STATE SECURITIES LAWS."

SECTION 18. REPLACEMENT SECURITIES. If the Holder of a Warrant claims that the Holder's Warrant has been lost, destroyed or wrongfully taken, the Company shall issue a replacement. If required by the Company, an indemnity bond must be sufficient in its judgment to protect the Company from any loss which any Holder of a Warrant may suffer if a Warrant is replaced. The Company may charge for its expenses in replacing a Warrant.

SECTION 19. NOTICES. Any notice or communication to the Company is duly given if in writing and delivered in person or mailed by first-class mail to its principal executive offices at 100 S.E. Second Street, 32nd Floor, Miami, Florida, 33131, Attn: Chairman of the Board. The Company by notice may designate additional or different addresses for subsequent notices or communications. Any notice or communication to the Holder shall be mailed by first-class mail to the Holder's address shown on the register kept by the Company. Failure to mail a notice or communication to the Holder or any defect in it shall not affect its sufficiency with respect to any other holders of warrants relating to the Company's Common Stock. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

SECTION 20. LIABILITY. No Holder as such shall have any liability as a stockholder of the Company.

SECTION 22. GOVERNING LAW. This Warrant shall be governed by the internal law of New York.

BROOKE GROUP LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

Date: March 2, 1998

[Form of Election to Purchase]

(To be Executed upon Exercise of the Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for and purchases _____ shares of Common Stock and tenders payment for such shares to the order of Brooke Group Ltd. in the amount of $_____ in accordance with the terms of this Warrant. The undersigned requests that certificate(s) for such shares be issued and registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable under this Warrant, the undersigned requests that a new Warrant representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant be delivered to _____, whose address is _____.

Date: _____ By: _____

Name: _____

Its: _____

EXHIBIT 10.6

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement") dated as of March 2, 1998 among Brooke Group Ltd., a Delaware corporation ("Brooke"), and the entities listed on Exhibit A attached hereto (individually, together with transferees, assignees or other successors, and including any Warrant Holder following exercise of its warrant, in its capacity as a holder of Registrable Securities, a "Warrant Holder" and collectively the "Warrant Holders").

RECITALS

A. Brooke has granted Warrant Holders warrants to the Registrable Securities in the amounts specified on Exhibit A;

B. Brooke and the Warrant Holders desire that Brooke use its reasonable best efforts to file, on or before May 1, 1998, with the SEC a Registration Statement to register the resale by the Warrant Holders of the Registrable Securities.

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

ARTICLE 1
DEFINITIONS AND USAGE

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

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

"Effectiveness Period" has the meaning set forth in Section 2.2.1.

"Exchange Act" means the Securities Exchange Act of 1934.

"Initial Shelf Registration" has the meaning set forth in Section 2.2.1.

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

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

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

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

"Registrable Securities" means collectively the shares of common stock of Brooke, $0.10 par value per share, which are subject to that certain Warrant, dated March 2, 1998, granted by Brooke to the Warrant Holder, including such shares of common stock at any time following exercise of such Warrant, in whole or in part. However, such common stock will cease to be a Registrable Security when it (i) is sold in an open market transaction or in an underwritten public offering, (ii) is sold to any person other than an "affiliate" of Brooke (as defined under the Regulations) pursuant to a Registration Statement, (iii) unless the Warrant Holder is an affiliate, such common stock is eligible for resale without restriction pursuant to Rule 144(k) of the Regulations or any similar rule or regulation hereafter adopted by the SEC (provided, however, that if such Warrant Holder is an "affiliate", all securities owned by it shall remain "Registrable Securities") or (iv) ceases to be outstanding.

"Registration Statement" means any registration statement of Brooke under the Securities Act that covers any of the Registrable Securities, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement and all material deemed part of such registration statement by Rule 430A of the Regulations.

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

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

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"Shelf Registration" has the meaning set forth in Section 2.2.2.

"Subsequent Shelf Registration" has the meaning set forth in Section 2.2.2.

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

"Warrant Holder" has the meaning set forth in the Preamble.

Section 1.2 Usage. (a) References to Articles, Sections and Exhibits are to articles and sections hereof and exhibits hereto, references to a Person are also references to its successors and assigns, references to a document are to it as amended, waived and otherwise modified from time to time, and references to a statute or another governmental rule are to it as amended and otherwise modified from time to time. The definitions set forth in Section 1.1 are equally applicable both to the singular and plural forms and the feminine, masculine and neuter forms of the terms defined. "Including" and correlative terms shall be deemed to be followed by "without limitation," if not followed by such words or words of like import. The headings of Articles and Sections and the table of contents relating hereto have been included solely for convenience of references and shall not have any effect on the construction hereof.

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

ARTICLE 2
REGISTRATION OF REGISTRABLE SECURITIES UNDER SECURITIES ACT

Section 2.1 Required Registration of Registrable Securities. Brooke shall use its reasonable best efforts to register the Registrable Securities upon the terms, and subject to the limitations and conditions, hereinafter set forth.

Section 2.2 Shelf Registration.

Section 2.2.1 Initial Shelf Registration. On or before May 1, 1998, Brooke shall prepare and file with the SEC a Registration Statement for an offering to be made by the Warrant Holders on a continuous basis under Rule 415 covering all the Registrable Securities (the "Initial Shelf Registration"). The Initial Shelf Registration shall be on an appropriate form permitting registration of all Registrable Securities for resale by the Warrant Holders in the manner or manners reasonably designated by them (including one or more underwritten offerings). Brooke shall use its reasonable best efforts to cause the Initial Shelf Registration to be declared effective under the Securities Act within sixty (60) days following the date of filing of the Registration Statement with the SEC and to keep the Initial Shelf Registration continuously effective and the Prospectus current under the Securities Act during the period (the "Effectiveness Period") ending on the earliest date on which (x) all Registrable Securities have been sold other than to a Warrant Holder, (y) a Subsequent Shelf Registration covering all the Registrable securities has been declared effective under the Securities Act or (z) in the opinion of Milbank, Tweed, Hadley & McCloy or other nationally recognized counsel to Brooke reasonably acceptable to the Warrant Holders, which opinion shall be reasonably satisfactory in form, scope and substance to the Warrant Holders, registration of the Registrable Securities is no longer required under the Securities Act for the Warrant Holders to sell all remaining Registrable Securities in the open market without limitations as to volume or manner of sale and without being required to file any forms or reports with the SEC under the Securities Act or the Regulations other than a notice of sale under Rule 144 under the Regulations. No Warrant Holders of Registrable Securities may include any of its Registrable Securities in any Shelf Registration pursuant to this Agreement unless and until such Warrant Holder furnishes to Brooke in writing such information as Brooke may reasonably request pursuant to Section 6.2(b).

Section 2.2.2 Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period, Brooke shall use its reasonable best efforts to (i) obtain the prompt withdrawal of any order

suspending the effectiveness thereof and (ii) in any event, within 45 days of such cessation of effectiveness, amend the Shelf Registration in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof or file an additional Registration Statement covering all of the Registrable Securities (a "Subsequent Shelf Registration," subject to the last sentence of this Section 2.2.2) for an offering to be made by the Warrant Holders on a delayed or continuous basis under Rule 415 in a manner reasonably expected to be acceptable to the SEC. If a Subsequent Shelf Registration is filed, Brooke shall use its reasonable best efforts to cause the Subsequent Shelf Registration to be declared effective as soon as practicable after such filing and keep such Registration statement continuously effective and the Prospectus current until the end of the Effectiveness Period. As used herein, the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf Registration. If by reason of the Securities Act or the Regulations a Shelf Registration shall not permit the resale by a Warrant Holder of Registrable Securities acquired from another Warrant Holder, the obligations of Brooke shall extend to the filing of, and other registration procedures with respect to, another registration statement (which shall be a Subsequent Shelf Registration).

Section 2.2.3 Supplements and Amendments. Subject to Section 2.3.1(q), Brooke shall promptly supplement and amend the Registration Statement and the Prospectus (i) if required by the Regulations or the instructions applicable to the registration form used for the Shelf Registration, (ii) if required by the Securities Act or the Regulations, (iii) if required to prevent the Registration Statement or the Prospectus from containing any material misstatement or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iv) if reasonably requested by the Warrant Holders or by any underwriter of the Registrable Securities.

Section 2.3 Registration Procedures.

Section 2.3.1 Shelf Registration. In connection with a Shelf Registration, Brooke shall use its reasonable best efforts to effect such registration to permit the sale of Registrable Securities in accordance with the method or methods of disposition reasonably intended by the Warrant Holders, and pursuant thereto Brooke shall:

(a) Filing of Registration Statement. Before filing any Registration Statement or Prospectus or any amendments or supplements thereto, furnish to and afford the Warrant Holders of the Registrable Securities covered by such Registration Statement, and the managing underwriters, if

any, a reasonable opportunity to review and, if they desire, comment on all such documents (including any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed.

(b) Compliance with Law. Comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to it with respect to the disposition of all Registrable Secu rities covered by such Registration Statement as amended or by such Prospectus as supplemented.

(c) Notice. Notify the Warrant Holders owning the Registrable Securities covered by the Registration Statement, and the managing underwriters, if any, promptly, and confirm such notice in writing (i) when a Registration Statement and an amendment thereto or a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective (including in such notice a written statement that any such Warrant Holder may, upon request, obtain, without charge, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incor porated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus, the initiation of any proceedings for that purpose or any other communication between the SEC and Brooke or their rep resentatives related to a Shelf Registration, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities, the representations and warranties of Brooke contained in any agreement (including any underwriting agreement) contemplated by Section 2.3.1(m) cease to be true and correct, (iv) of the receipt by Brooke of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event or any information becoming known that requires the making of any changes in such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus, it will not contain any untrue statement of a

material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of Brooke's determination that a post-effective amendment to a Registration Statement would be necessary or advisable under applicable law.

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

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

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

(g) Delivery of Prospectus. Deliver to the Warrant Holders owning Registrable Securities, and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Preliminary Prospectus) and each amendment or supplement thereto and any documents incorporated or deemed to be incorporated by reference therein as such Persons may reasonably request; and Brooke hereby consents to the use of each such Prospectus and Preliminary Prospectus and each amendment or supplement thereto by each of the selling Warrant Holders and the underwriters or agents, if any, and dealers, if any, in

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

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

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

(j) Governmental Agencies. Use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies, or authorities as may be necessary to enable the selling Warrant Holders thereof or the underwriters, if any, to consummate the disposition of such Registrable Securities in the manner set forth in such Registration Statement, except as may be required solely as a consequence of the nature of such selling Warrant Holder's business, in which case Brooke will cooperate in all

reasonable respects with the filing of such Registration Statements and the granting of such approvals.

(k) Amendments and Supplements. Subject to Sections 2.3.1(a) and 2.3.1(q), upon the occurrence of any event contemplated by Section 2.3.1(c)(v) or 2.3.1(c)(vi), as promptly as practicable prepare and file with the SEC a post- effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of Registrable Securities being sold thereunder, the Registration Statement and such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

(m) Underwriting Agreement. In connection with an underwritten offering of Registrable Securities, enter into and perform its obligations under an underwriting agreement in customary form for underwritten offerings made by selling security holders on the registration form utilized for the relevant Registration Statement and take such other actions as are reasonably requested by the managing underwriters in order to expedite or facilitate the registration and the disposition of such Registrable Securities, and in such connection, (i) make such representations and warranties to the underwriters with respect to the business of Brooke and its subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein in each case as are customarily made by comparable issuers to underwriters in underwritten offerings made by selling security holders, and confirm the same if and when requested; (ii) obtain opinions of counsel to Brooke and updates thereof (which counsel and opinions shall be reasonably satisfactory to the managing underwriters and the selling Warrant Holders), addressed to the underwriters covering the matters customarily covered in opinions requested in underwritten offerings by selling security holders; (iii) obtain "cold comfort" letters and updates thereof (which letters and updates shall be

reasonably satisfactory to the managing underwriters and the selling Warrant Holders) from the independent certified public accountants of Brooke (and, if necessary, any other independent certified public accountants of any subsidiary of Brooke or of any business acquired by Brooke for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each of the underwriters and the holders of Registrable Securities included in such underwritten offering (to the extent such accountants are permitted under applicable law and accounting literature so to address "cold comfort" letters), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings by selling security holders; and (iv) if an underwriting agreement is entered into, undertake such indemnification and contribution provisions and procedures as are customarily undertaken in such agreements. The above shall be done in connection with each closing under such underwriting agreement, or as and to the extent required thereunder.

(n) Financial Records, Etc.. Make available for inspection by any Warrant Holder, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Warrant Holder or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of Brooke and its subsidiaries (collectively, the "Records") as shall be necessary or advisable to enable them to exercise their due diligence responsibilities, and cause the officers, directors and employees of Brooke and its subsidiaries to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement. Records which Brooke determines, in good faith, to be confidential and as to which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) the information in such Records has been made generally available to the public. Except as contemplated hereby, and subject to applicable law, each selling Warrant Holder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of Brooke or its affiliates unless and until such information is made generally available to the public.

Warrant Holders shall not be prohibited from engaging in market transactions if such information is not material, to the extent permitted by applicable law. Each selling Warrant Holder further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to Brooke and allow Brooke at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential.

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

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

(q) Postponement or Suspension of Shelf Registration. Notwithstanding anything contained in this Section 2, Brooke may postpone, for a period of not in excess of 30 days in the aggregate in any twelve month period, taking any action with respect to or suspend the Shelf Registration if, in the good faith opinion of Brooke's board of directors, effecting or continuing the Shelf Registration would adversely affect a material financing, acquisition, disposition of assets or stock, merger or other comparable transaction or would require Brooke to make public disclosure of information the public disclosure of which would have a material adverse effect upon Brooke.

(r) Delivery of Opinion. Upon the filing of any Registration Statement, deliver to the Warrant Holders an opinion or opinions of outside counsel to Brooke (which counsel shall be reasonably satisfactory to the Warrant Holders), to the effect that nothing has come to the

attention of such counsel that causes such counsel to believe that such Registration Statement contains, as of its effective date, any untrue statement of a material fact necessary to make the statements therein not misleading, it being understood that any such opinion may contain customary limitations thereof.

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

Section 2.3.2 Warrant Holder Covenants. In addition to the covenants provided in Section 6.2, each Warrant Holder agrees by acquisition of the Registrable Securities that, upon receipt of any notice from Brooke of the happening of any event of the kind described in clause (ii), (iv), (v) or (vi) of Section 2.3.1(c), such Warrant Holder shall forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Warrant Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.3.1(k), or until it is advised in writing by Brooke that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto.

ARTICLE 3
REGISTRATION EXPENSES

All fees and expenses incident to the performance of or compliance with this Agreement by Brooke shall be borne by Brooke, whether or not a Shelf Registration is filed or becomes effective, including (i) all registration and filing fees (including (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel for Brooke or the underwriters, or both, in connection with Blue Sky qualifications of the Registrable Securities)), (ii) printing expenses (including expenses of printing certificates for Registrable Securities, printing and distributing Prospectuses, Preliminary Prospectuses and amendments or supplements thereto, the Registration Statement and amendments thereto, and printing or preparing any underwriting agreement, agreement among underwriters and related syndicate or selling group agreements, pricing agreements and Blue Sky memoranda), (iii) fees and disbursements of counsel for Brooke, (iv) fees and disbursements of all independent certified public accountants for Brooke (including the expenses of any "cold comfort" letters required by or incident to such performance), (v) Securities Act liability

insurance, if Brooke so desires such insurance, (vi) internal expenses of Brooke (including all salaries and expenses of officers and employees of Brooke performing legal or accounting duties), (vii) the fees and expenses incurred in connection with the listing of the securities to be registered and any national securities exchange or quoted on the NASDAQ Stock Market or the NASDAQ National Market pursuant to section 2.3.1(1), and (viii) the fees and expenses of any Person, including special experts, retained by Brooke in its sole discretion.

Each selling Warrant Holder shall pay all underwriting discounts and commissions or broker's commissions incurred in connection with the sale or other disposition of Registrable Securities for or on behalf of such Warrant Holder's account. Brooke shall pay all fees and disbursements of legal counsel for such selling Warrant Holder, up to a maximum of $50,000.

ARTICLE 4
INDEMNIFICATION

Section 4.1 Indemnification by Brooke. Brooke shall, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, each Warrant Holder and its affiliates and any investment funds managed thereby and their respective partners, officers, directors, agents and employees, each Person who controls each such Warrant Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the partners, officers, directors, agents and employees of each such controlling person, (individually, an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, costs (including costs of investigating, preparing to defend, defending and appearing as a third-party witness and attorneys' fees and disbursements reasonably incurred) and expenses including any amounts paid in respect of any settlements (collectively, "Losses"), without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplements thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereto, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except (i), in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein

in reliance upon and in conformity with information furnished in writing to Brooke by such Indemnified Person (or the person controlling such Indemnified Person) expressly for use therein, (ii) to the extent such Losses result from the failure of any Warrant Holder or any underwriter in an underwritten offering to provide to any person purchasing Registrable Securities from it any supplement to a Prospectus provided by Brooke pursuant to Section 2.3.1(g), or (iii) to the extent such Losses result from the sale of Registrable Securities by such Warrant Holder or underwriter in an underwritten offering (a) under a Registration Statement or (b) using any Prospectus, other than a Registration Statement or a Prospectus, as the case may be, amended or supplemented by Brooke pursuant to Section 2.3.1(k) and provided to such Warrant Holder or such underwriter pursuant to Section 2.3.1(g), after Brooke shall have notified such Warrant Holder or such underwriter in an underwritten offering in writing of any event contemplated by Section 2.3.1.(c)(v) or 2.3.1(c)(vi) pursuant to Section 2.3.1(c).

Section 4.2 Indemnification by Warrant Holder. In connection with any Registration Statement in which a Warrant Holder is participating, such Warrant Holder shall, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, Brooke and its directors, officers, agents and employees, each Person who controls Brooke (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling person, from and against, any and all Losses, joint or several, without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplement thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereon, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact necessary to make the statements therein, in the light of the circumstances under the statements therein, in the light of the circumstances under which they were made, not misleading; in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in writing to Brooke by such Warrant Holder expressly for use therein by notice referring to this Section 4.2. In no event shall the liability of any selling Warrant Holder hereunder be, or be claimed by Brooke to be greater in amount than the dollar amount of the proceeds actually

received by such Warrant Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

Section 4.3 Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity or contribution hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party or parties from which such indemnity or contribution is sought (the "indemnifying parties") of the commencement of any action or proceeding (including any governmental investigation) (collectively "Proceedings" and individually a "Proceeding") with respect to which such indemnification or contribution is sought pursuant hereto; provided, however, that the failure so to notify the indemnifying parties shall not relieve the indemnifying parties from any obligation or liability except to the extent that the indemnifying parties have been actually prejudiced by such failure. The indemnifying parties shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such Proceeding, to assume, at the indemnifying parties' expense, the defense of any such Proceeding, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such Proceeding; provided, however, that an indemnified party or parties (if more than one such indemnified party is named in any Proceeding) shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless: (i) the indemnifying party or parties agree to pay such fees and expenses; or (ii) the indemnifying parties fail promptly to assume the defense of such Proceeding or fail to employ counsel reasonably satisfactory to such indemnified party or parties; or (iii) counsel for the indemnified party determines that one counsel may not properly represent both the indemnifying party and such indemnified party in which case, if such indemnified party or parties notifies the indemnifying parties in writing that it elects to employ separate counsel at the expense of the indemnifying parties, the indemnifying parties shall not have the right to assume the defense thereof and the fees and expenses of counsel retained by the indemnified party or parties shall be at the expense of the indemnifying parties, it being understood, however, that the indemnifying parties shall not, in connection with any one such Proceeding, arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for such indemnified party or parties. Whether or not such defense is assumed-by the indemnifying parties, such indemnifying parties will not be subject to any liability for any settlement made without its or

their consent (but such consent will not be unreasonably withheld). No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, but if settled with its written consent each indemnifying party jointly and severally agrees, subject to the exception and limitations set forth above, to indemnify and hold harmless each indemnified party from and against any Losses by reason of such settlement.

Section 4.4 Contribution. If the indemnification provided for in this Article 4 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless for any Losses in respect to which this Article 4 would otherwise apply by its terms, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have an obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well an any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any Proceeding, to the extent such party would have been indemnified for such expenses if the applicable indemnification provided for in Section 4.1, 4.2 or 4.3 were available to such party.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 4.5, an indemnifying party that is a selling Warrant Holder shall not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such indemnifying party and distributed to the public were offered to the public (net of any underwriting discounts and commissions and expenses) exceeds the amount of any damages that such indemnifying party has otherwise been required to pay or has

paid by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 4.5 Remedies Cumulative. The indemnity, contribution and expense reimbursement obligations under this Article 4 shall be in addition to any liability that each indemnifying person may otherwise have and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party. Notwithstanding anything in this Agreement to the contrary, an indemnified party-shall not be entitled to receive duplicate indemnification or contribution for the same Losses (except to the extent they are incurred more than once).

ARTICLE 5
UNDERWRITTEN REGISTRATION

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Warrant Holders holding at least 66 2/3% in interest of the applicable Registrable Securities with the consent of Brooke (not to be unreasonably withheld or delayed).

ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 6.1 Representations and Warranties. Brooke represents and warrants to, and agrees with, the Warrant Holders that:

(a) Subject to the terms of Section 2.3.1(q), during the Effectiveness Period, the Registration Statement (and any post-effective amendment thereto) and the Prospectus (as amended or as supplemented if Brooke shall have filed with the SEC any amendment or supplement to the Registration Statement or the Prospectus) will contain all statements which are required to be stated therein in accordance with the Securities Act and the Regulations, and will not contain any untrue statement of a material fact or omit to state any material fact (except such information which is omitted from the Registration Statement pursuant to Rule 430A Of the Regulations) required to be stated therein or necessary to make the statements therein not misleading, and no event will have occurred which is required to have been set forth in an amendment or supplement to the Registration Statement or the Prospectus which has not then been set forth in such

an amendment or supplement; each Preliminary Prospectus, as of the date filed with the SEC, will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances under which they were made; except that no representation or warranty is made in this Section 6.1(a) with respect to statements or omissions made in reliance upon and in conformity with written information furnished to Brooke pursuant to Section 6.2(b) by a Warrant Holder or on behalf of a Warrant Holder expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus, or any amendment or supplement thereto. Each of the documents filed pursuant to the Exchange Act and incorporated or deemed to be incorporated by reference in the Registration Statement will comply in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder.

(b) Brooke has all requisite power and authority to execute, deliver and perform this Agreement. All necessary corporate proceedings of Brooke have been duly taken by it to authorize the execution, delivery, and performance of this Agreement by Brooke. This Agreement has been duly authorized, executed, and delivered by Brooke, is the legal, valid and binding obligation of Brooke, and is enforceable as to Brooke in accordance with its terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental authority or any court or other tribunal is required by Brooke for the execution, delivery or performance of this Agreement by Brooke (except filings under the Securities Act which will be made and such consents consisting only of consents under Blue Sky or state securities laws which will be obtained). No consent of any party to any contract, agreement, instrument, lease, license, arrangement or understanding to which Brooke is a party or to which any of its properties or assets are subject, is required for the execution, delivery or performance of this Agreement which has not been obtained; and the execution, delivery, and performance of this Agreement will not violate, result in a breach of, conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract agreement, instrument, lease, license, arrangement or understanding or violate or result in a breach of any term of the charter or bylaws of Brooke, or violate, result in a breach of, or conflict with any law, rule, regulation order, judgment or decree binding on Brooke or to which any of its operations, business, properties or assets are subject.

(c) Brooke shall not enter into any transaction involving (i) any merger or consolidation in which it is not the surviving Person, (ii) any sale, lease or other transfer of all or substantially all the assets of Brooke or (iii) in the case of Brooke, any exchange or conversion of any of the Registrable Securities for or into securities of any other issuer, unless effective provision is made for (x) the assumption by the survivor of the transaction or the transferee, jointly and severally with Brooke if Brooke shall remain in existence, of all the obligations of Brooke hereunder, and (y) in the case of clause (iii), the entering into by such other issuer of an agreement comparable hereto and reasonably satisfactory to the Warrant Holders with respect to the registration of such securities of such other issuer.

Section 6.2 Additional Warrant Holder Covenants. Each Warrant Holder represents and warrants (severally) to (in the case of Section 6.2(a)), and agrees with (severally) (in the case of Section 6.2(b)), Brooke, that:

(a) Such Warrant Holder is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Such Warrant Holder has all requisite power and authority to execute, deliver and perform this Agreement. All necessary proceedings of such Warrant Holder have been duly taken to authorize the execution, delivery and performance of this Agreement by such Warrant Holder. This Agreement has been duly authorized by such Warrant Holder, executed and delivered by such Warrant Holder, is the legal, valid and binding obligation of such Warrant Holder, and is enforceable as to such Warrant Holder in accordance with its terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with any federal, state, local or other governmental authority or any court or other tribunal is required by such Warrant Holder for (i) the execution, delivery or performance of this Agreement by such Warrant Holder or (ii) the sale of disposition of the Registrable Securities by such Warrant Holder as contemplated by the Registration Statements (except filings under the Securities Act and such consents consisting only of consents under Blue Sky or state securities laws). No consent of any party to any contract, agreement, instrument, lease, license, arrangement or understanding to which such Warrant Holder is a party, or to which any of such Warrant Holder's properties or assets are subject, is required for the execution, delivery or performance of this Agreement which has not been obtained; and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict

with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, arrangement or understanding or violate or result in a breach of any term of such Warrant Holder's certificate or articles of incorporation (or similar controlling instrument) or bylaws (or, if applicable, instrument corresponding thereto) or violate, result in a breach of, or conflict with, any law, rule, regulation, order, judgment or decree binding on such Warrant Holder or to which any such Warrant Holder's operations, business, properties or assets are subject.

(b) Each Warrant Holder shall promptly furnish to Brooke in writing, upon Brooke's reasonable request, any and all information as to such Warrant Holder and its plan of distribution as may be necessary to comply with the provisions of the Securities Act, the Regulations, the Exchange Act and the rules and regulations of the SEC thereunder in connection with the preparation and filing of any Registration Statement pursuant hereto, or any amendment or supplement thereto, or any Preliminary Prospectus or Prospectus included therein. All information to be furnished to Brooke by or on behalf of such Warrant Holder expressly for use in connection with the preparation of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, will be accurate, complete and correct.

Section 6.3 Survival of Representations and Agreements. All representations, warranties, covenants and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants and agreements at the effective date of each Registration Statement contemplated by this Agreement, and such representations, warranties, covenants, and agreements, including the indemnity and contribution agreements contained in Article 4, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Brooke any Warrant Holder or any Person that is entitled to be indemnified under Article 4, and shall survive termination of this Agreement and the expiration of the Effectiveness Period.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Remedies . No failure or delay on the part of a party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude

any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 7.2 Amendments and Waivers. The provisions of Articles 2, 3, 4 and 5 (and the provisions of this Section 7.2 as they apply thereto) may not be amended, modified, supplemented, waived or departed from without the express written consent of each affected party. The other provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless Brooke has obtained the written consent of the holders of at least 66 2/3% in interest of the Registrable Securities or Warrant Holders, as applicable. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of the Warrant Holders that are selling securities pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Warrant Holders may be given by the Warrant Holders selling at least 66 2/3% of the Registrable Securities being sold by pursuant to such Registration Statement; provided, however, that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

Section 7.3 Notices. All notices, consents and other communications provided for hereunder shall be in writing (including facsimile, telegraphic or cable communication) and telecopied, telegraphed, telexed, cabled or delivered (x) (i) if to Brooke, to Brooke Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, attention: Bennett S. LeBow, telecopy (305) 579-8001, with a copy to Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, New York 10005, attention: Michael L. Hirschfeld, telecopy (212) 530-5219, and (ii) if to the Warrant Holders, to the respective addresses and telecopier numbers set forth in Exhibit A, with a copy to Apollo Advisors, 1999 Avenue of the Stars, Suite 1900, Los Angeles, California, 90067, attention: Michael Weiner, telecopy (310) 201-4166, or (y) at such other address as shall be designated by any such party in a written notice to the other parties. All such notices, consents and communications shall be effective when received.

Section 7.4 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 7.5 Entire Agreement; No Third Party Beneficiaries; Obligations of Brooke. This Agreement (including the documents and the instruments expressly referred to herein or therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (ii) except as expressly set forth in Article 4 and in Section 7.8, is not intended to confer upon any Person other than the parties hereto and the Warrant Holders and holders of Registrable Securities any rights or remedies hereunder. The obligations of Brooke pursuant hereto shall be limited to those obligations of Brooke expressly set forth herein.

Section 7.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

Section 7.7 Severability. Wherever possible, each provision hereof shall be interpreted in such a manner as to be valid, legal and enforceable under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating or rendering unenforceable the remainder of this Agreement, unless such a construction would be unreasonable or materially impair the rights of any party hereto.

Section 7.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except by a Warrant Holder as follows: in connection with the transfer of its Warrants or Registrable Securities in whole or in part to another Person; provided that the transferee executes an appropriate document agreeing to be bound hereby as a Warrant Holder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

"Brooke"

Brooke Group Ltd.,
a Delaware corporation

By: /s/ Richard J. Lampen

Its: Executive Vice President

"Warrant Holders"

AIF II, L.P.

By: APOLLO ADVISORS, L.P.
Managing General Partner

By: APOLLO CAPITAL MANAGEMENT, INC.
General Partner

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

ARTEMIS AMERICA PARTNERSHIP

By: LION ADVISORS, L.P.
Attorney-in-Fact

By: LION CAPITAL MANAGEMENT, INC.
General Partner

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

EXHIBIT A

WARRANT HOLDERS

Artemis America Partnership

AIF II, L.P.

EXHIBIT 10.7

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement") dated as of March 2, 1998 among Brooke Group Ltd., a Delaware corporation ("Brooke"), and the entities listed on Exhibit A attached hereto (individually, together with transferees, assignees or other successors, and including any Warrant Holder following exercise of its warrant, in it capacity as a holder of Registrable Securities, a "Warrant Holder" and collectively the "Warrant Holders").

RECITALS

A. Brooke has granted Warrant Holders warrants to the Registrable Securities in the amounts specified on Exhibit A;

B. Brooke and the Warrant Holders desire that Brooke use its reasonable best efforts to file, by September 15, 1999, with the SEC a Registration Statement to register the resale by the Warrant Holders of the Registrable Securities.

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

ARTICLE 1
DEFINITIONS AND USAGE

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

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

"Effectiveness Period" has the meaning set forth in Section 2.2.1.

"Exchange Act" means the Securities Exchange Act of 1934.

"Initial Shelf Registration" has the meaning set forth in Section 2.2.1.

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

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

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

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

"Registrable Securities" means collectively the shares of common stock of Brooke, $0.10 par value per share, which are subject to that certain Warrant, dated March 2, 1998, granted by Brooke to the Warrant Holder, including such share of common stock at any time following exercise of such Warrant, in whole or in part. However, such common stock will cease to be a Registrable Security when it (i) is sold in an open market transaction or in an underwritten public offering, (ii) is sold to any person other than an "affiliate" of Brooke (as defined under the Regulations) pursuant to a Registration Statement, (iii) unless the Warrant Holder is an affiliate, such common stock is eligible for resale without restriction pursuant to Rule 144(k) of the Regulations or any similar rule or regulation hereafter adopted by the SEC (provided, however, that if such Warrant Holder is an "affiliate", all securities owned by it shall remain "Registrable Securities") or (iv) ceases to be outstanding.

"Registration Statement" means any registration statement of Brooke under the Securities Act that covers any of the Registrable Securities, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement and all material deemed part of such registration statement by Rule 430A of the Regulations.

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

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

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"Shelf Registration" has the meaning set forth in Section 2.2.2.

"Subsequent Shelf Registration" has the meaning set forth in Section 2.2.2.

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

"Warrant Holder" has the meaning set forth in the Preamble.

Section 1.2 Usage. (a) References to Articles, Sections and Exhibits are to articles and sections hereof and exhibits hereto, references to a Person are also references to its successors and assigns, references to a document are to it as amended, waived and otherwise modified from time to time, and references to a statute or another governmental rule are to it as amended and otherwise modified from time to time. The definitions set forth in Section 1.1 are equally applicable both to the singular and plural forms and the feminine, masculine and neuter forms of the terms defined. "Including" and correlative terms shall be deemed to be followed by "without limitation," if not followed by such words or words of like import. The headings of Articles and Sections and the table of contents relating hereto have been included solely for convenience of references and shall not have any effect on the construction hereof.

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

ARTICLE 2
REGISTRATION OF REGISTRABLE SECURITIES UNDER SECURITIES ACT

Section 2.1 Required Registration of Registrable Securities. Brooke shall use its reasonable best efforts to register the Registrable Securities upon the terms, and subject to the limitations and conditions, hereinafter set forth.

Section 2.2 Shelf Registration.

Section 2.2.1 Initial Shelf Registration. Prior to September 15, 1999, Brooke shall prepare and file with the SEC a Registration Statement for an offering to be made by the Warrant Holders on a continuous basis under Rule 415 covering all the Registrable Securities (the "Initial Shelf Registration"). The Initial Shelf Registration shall be on an appropriate form permitting registration of all Registrable Securities for resale by the Warrant Holders in the manner or manners reasonably designated by them (including one or more underwritten offerings). Brooke shall cause the Initial Shelf Registration to be declared effective under the Securities Act on or before October 31, 1999 and to keep the Initial Shelf Registration continuously effective and the Prospectus current under the Securities Act during the period (the "Effectiveness Period") ending on the earliest date on which (x) all Registrable Securities have been sold other than to a Warrant Holder, (y) a Subsequent Shelf Registration covering all the Registrable securities has been declared effective under the Securities Act or (z) in the opinion of Milbank, Tweed, Hadley & McCloy or other nationally recognized counsel to Brooke reasonably acceptable to the Warrant Holders, which opinion shall be reasonably satisfactory in form, scope and substance to the Warrant Holders, registration of the Registrable Securities is no longer required under the Securities Act for the Warrant Holders to sell all remaining Registrable Securities in the open market without limitations as to volume or manner of sale and without being required to file any forms or reports with the SEC under the Securities Act or the Regulations other than a notice of sale under Rule 144 under the Regulations. No Warrant Holders of Registrable Securities may include any of its Registrable Securities in any Shelf Registration pursuant to this Agreement unless and until such Warrant Holder furnishes to Brooke in writing such information as Brooke may reasonably request pursuant to Section 6.2(b).

Section 2.2.2 Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period, Brooke shall use its reasonable best efforts to (i) obtain the prompt withdrawal of any order

suspending the effectiveness thereof and (ii) in any event, within 45 days of such cessation of effectiveness, amend the Shelf Registration in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof or file an additional Registration Statement covering all of the Registrable Securities (a "Subsequent Shelf Registration," subject to the last sentence of this Section 2.2.2) for an offering to be made by the Warrant Holders on a delayed or continuous basis under Rule 415 in a manner reasonably expected to be acceptable to the SEC. If a Subsequent Shelf Registration is filed, Brooke shall use its reasonable best efforts to cause the Subsequent Shelf Registration to be declared effective as soon as practicable after such filing and keep such Registration statement continuously effective and the Prospectus current until the end of the Effectiveness Period. As used herein, the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf Registration. If by reason of the Securities Act or the Regulations a Shelf Registration shall not permit the resale by a Warrant Holder of Registrable Securities acquired from another Warrant Holder, the obligations of Brooke shall extend to the filing of, and other registration procedures with respect to, another registration statement (which shall be a Subsequent Shelf Registration).

Section 2.2.3 Supplements and Amendments. Subject to Section 2.3.1(q), Brooke shall promptly supplement and amend the Registration Statement and the Prospectus (i) if required by the Regulations or the instructions applicable to the registration form used for the Shelf Registration, (ii) if required by the Securities Act or the Regulations, (iii) if required to prevent the Registration Statement or the Prospectus from containing any material misstatement or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iv) if reasonably requested by the Warrant Holders or by any underwriter of the Registrable Securities.

Section 2.3 Registration Procedures.

Section 2.3.1 Shelf Registration. In connection with a Shelf Registration, Brooke shall use its reasonable best efforts to effect such registration to permit the sale of Registrable Securities in accordance with the method or methods of disposition reasonably intended by the Warrant Holders, and pursuant thereto Brooke shall:

(a) Filing of Registration Statement. Before filing any Registration Statement or Prospectus or any amendments or supplements thereto, furnish to and afford the Warrant Holders of the Registrable Securities covered by such

Registration Statement, and the managing underwriters, if any, a reasonable opportunity to review and, if they desire, comment on all such documents (including any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed.

(b) Compliance with Law. Comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to it with respect to the disposition of all Registrable Secu rities covered by such Registration Statement as amended or by such Prospectus as supplemented.

(c) Notice. Notify the Warrant Holders owning the Registrable Securities covered by the Registration Statement, and the managing underwriters, if any, promptly, and confirm such notice in writing (i) when a Registration Statement and an amendment thereto or a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective (including in such notice a written statement that any such Warrant Holder may, upon request, obtain, without charge, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incor porated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus, the initiation of any proceedings for that purpose or any other communication between the SEC and Brooke or their rep resentatives related to a Shelf Registration, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities, the representations and warranties of Brooke contained in any agreement (including any underwriting agreement) contemplated by Section 2.3.1(m) cease to be true and correct, (iv) of the receipt by Brooke of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event or any information becoming known that requires the making of any changes in such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the

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

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

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

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

(g) Delivery of Prospectus. Deliver to the Warrant Holders owning Registrable Securities, and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses (including each form of Preliminary Prospectus) and each amendment or supplement thereto and any documents incorporated or deemed to be incorporated by reference therein as such Persons may reasonably request; and Brooke hereby consents to the use of each such Prospectus and

Preliminary Prospectus and each amendment or supplement thereto by each of the selling Warrant Holders and the underwriters or agents, if any, and dealers, if any, in connection with the offering and sale of the registrable Securities covered by such Prospectus and any amendment or supplement thereto in the manner set forth in the relevant Registration Statement.

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

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

(j) Governmental Agencies. Use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies, or authorities as may be necessary to enable the selling Warrant Holders thereof or the underwriters, if any, to consummate the disposition of

such Registrable Securities in the manner set forth in such Registration Statement, except as may be required solely as a consequence of the nature of such selling Warrant Holder's business, in which case Brooke will cooperate in all reasonable respects with the filing of such Registration Statements and the granting of such approvals.

(k) Amendments and Supplements. Subject to Sections 2.3.1(a) and 2.3.1(q), upon the occurrence of any event contemplated by Section 2.3.1(c)(v) or 2.3.1(c)(vi), as promptly as practicable prepare and file with the SEC a post- effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of Registrable Securities being sold thereunder, the Registration Statement and such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

(m) Underwriting Agreement. In connection with an underwritten offering of Registrable Securities, enter into and perform its obligations under an underwriting agreement in customary form for underwritten offerings made by selling security holders on the registration form utilized for the relevant Registration Statement and take such other actions as are reasonably requested by the managing underwriters in order to expedite or facilitate the registration and the disposition of such Registrable Securities, and in such connection, (i) make such representations and warranties to the underwriters with respect to the business of Brooke and its subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein in each case as are customarily made by comparable issuers to underwriters in underwritten offerings made by selling security holders, and confirm the same if and when requested; (ii) obtain opinions of counsel to Brooke and updates thereof (which counsel and opinions shall be reasonably satisfactory to the managing

underwriters and the selling Warrant Holders), addressed to the underwriters covering the matters customarily covered in opinions requested in underwritten offerings by selling security holders; (iii) obtain "cold comfort" letters and updates thereof (which letters and updates shall be reasonably satisfactory to the managing underwriters and the selling Warrant Holders) from the independent certified public accountants of Brooke (and, if necessary, any other independent certified public accountants of any subsidiary of Brooke or of any business acquired by Brooke for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each of the underwriters and the holders of Registrable Securities included in such underwritten offering (to the extent such accountants are permitted under applicable law and accounting literature so to address "cold comfort" letters), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings by selling security holders; and (iv) if an underwriting agreement is entered into, undertake such indemnification and contribution provisions and procedures as are customarily undertaken in such agreements. The above shall be done in connection with each closing under such underwriting agreement, or as and to the extent required thereunder.

(n) Financial Records, Etc.. Make available for inspection by any Warrant Holder, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Warrant Holder or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of Brooke and its subsidiaries (collectively, the "Records") as shall be necessary or advisable to enable them to exercise their due diligence responsibilities, and cause the officers, directors and employees of Brooke and its subsidiaries to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement. Records which Brooke determines, in good faith, to be confidential and as to which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) the information in such Records has been made generally available to the public. Except as contemplated hereby, and

subject to applicable law, each selling Warrant Holder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of Brooke or its affiliates unless and until such information is made generally available to the public. Warrant Holders shall not be prohibited from engaging in market transactions if such information is not material, to the extent permitted by applicable law. Each selling Warrant Holder further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to Brooke and allow Brooke at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential.

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

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

(q) Postponement or Suspension of Shelf Registration. Notwithstanding anything contained in this Section 2, Brooke may postpone, for a period of not in excess of 30 days in the aggregate in any twelve month period, taking any action with respect to or suspend the Shelf Registration if, in the good faith opinion of Brooke's board of directors, effecting or continuing the Shelf Registration would adversely affect a material financing, acquisition, disposition of assets or stock, merger or other comparable transaction or would require Brooke to make public disclosure of information the

public disclosure of which would have a material adverse effect upon Brooke.

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

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

Section 2.3.2 Warrant Holder Covenants. In addition to the covenants provided in Section 6.2, each Warrant Holder agrees by acquisition of the Registrable Securities that, upon receipt of any notice from Brooke of the happening of any event of the kind described in clause (ii), (iv), (v) or (vi) of Section 2.3.1(c), such Warrant Holder shall forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Warrant Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.3.1(k), or until it is advised in writing by Brooke that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto.

ARTICLE 3
REGISTRATION EXPENSES

All fees and expenses incident to the performance of or compliance with this Agreement by Brooke shall be borne by Brooke, whether or not a Shelf Registration is filed or becomes effective, including (i) all registration and filing fees (including (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel for Brooke or the underwriters, or both, in connection with Blue Sky qualifications of the Registrable Securities)), (ii) printing expenses (including expenses of printing certificates for Registrable Securities, printing and distributing Prospectuses,

Preliminary Prospectuses and amendments or supplements thereto, the Registration Statement and amendments thereto, and printing or preparing any underwriting agreement, agreement among underwriters and related syndicate or selling group agreements, pricing agreements and Blue Sky memoranda), (iii) fees and disbursements of counsel for Brooke, (iv) fees and disbursements of all independent certified public accountants for Brooke (including the expenses of any "cold comfort" letters required by or incident to such performance), (v) Securities Act liability insurance, if Brooke so desires such insurance, (vi) internal expenses of Brooke (including all salaries and expenses of officers and employees of Brooke performing legal or accounting duties), (vii) the fees and expenses incurred in connection with the listing of the securities to be registered and any national securities exchange or quoted on the NASDAQ Stock Market or the NASDAQ National Market pursuant to section 2.3.1(1), and (viii) the fees and expenses of any Person, including special experts, retained by Brooke in its sole discretion.

Each selling Warrant Holder shall pay all underwriting discounts and commissions or broker's commissions incurred in connection with the sale or other disposition of Registrable Securities for or on behalf of such Warrant Holder's account. Brooke shall pay all fees and disbursements of legal counsel for such selling Warrant Holder, up to a maximum of $50,000.

ARTICLE 4
INDEMNIFICATION

Section 4.1 Indemnification by Brooke. Brooke shall, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, each Warrant Holder and its affiliates and any investment funds managed thereby and their respective partners, officers, directors, agents and employees, each Person who controls each such Warrant Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the partners, officers, directors, agents and employees of each such controlling person, (individually, an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, costs (including costs of investigating, preparing to defend, defending and appearing as a third-party witness and attorneys' fees and disbursements reasonably incurred) and expenses including any amounts paid in respect of any settlements (collectively, "Losses"), without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplements thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereto, any omission or

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

Section 4.2 Indemnification by Warrant Holder. In connection with any Registration Statement in which a Warrant Holder is participating, such Warrant Holder shall, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, Brooke and its directors, officers, agents and employees, each Person who controls Brooke (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling person, from and against, any and all Losses, joint or several, without duplication, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of prospectus, or in any amendment or supplement thereto or in any Preliminary Prospectus, or arising out of or based upon, in the case of the Registration Statement or any amendments thereon, any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of the Prospectus or form of prospectus, or in any amendments or supplements thereto, or in any Preliminary Prospectus, any omission or alleged omission of a material fact

necessary to make the statements therein, in the light of the circumstances under the statements therein, in the light of the circumstances under which they were made, not misleading; in either case, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission has been made therein in reliance upon and in conformity with information furnished in writing to Brooke by such Warrant Holder expressly for use therein by notice referring to this Section 4.2. In no event shall the liability of any selling Warrant Holder hereunder be, or be claimed by Brooke to be greater in amount than the dollar amount of the proceeds actually received by such Warrant Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

Section 4.3 Conduct of Indemnification Proceedings. If any Person shall be entitled to indemnity or contribution hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party or parties from which such indemnity or contribution is sought (the "indemnifying parties") of the commencement of any action or proceeding (including any governmental investigation) (collectively "Proceedings" and individually a "Proceeding") with respect to which such indemnification or contribution is sought pursuant hereto; provided, however, that the failure so to notify the indemnifying parties shall not relieve the indemnifying parties from any obligation or liability except to the extent that the indemnifying parties have been actually prejudiced by such failure. The indemnifying parties shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such Proceeding, to assume, at the indemnifying parties' expense, the defense of any such Proceeding, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such Proceeding; provided, however, that an indemnified party or parties (if more than one such indemnified party is named in any Proceeding) shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless: (i) the indemnifying party or parties agree to pay such fees and expenses; or (ii) the indemnifying parties fail promptly to assume the defense of such Proceeding or fail to employ counsel reasonably satisfactory to such indemnified party or parties; or (iii) counsel for the indemnified party determines that one counsel may not properly represent both the indemnifying party and such indemnified party in which case, if such indemnified party or parties notifies the indemnifying parties in writing that it elects to employ separate counsel at the expense of the indemnifying parties, the

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

Section 4.4 Contribution. If the indemnification provided for in this Article 4 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless for any Losses in respect to which this Article 4 would otherwise apply by its terms, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have an obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well an any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any Proceeding, to the extent such party would have been indemnified for such expenses if the applicable indemnification provided for in Section 4.1, 4.2 or 4.3 were available to such party.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 4.5, an indemnifying party that is a selling Warrant Holder shall not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such indemnifying party and distributed to the public were offered to the public (net of any underwriting discounts and commissions and expenses) exceeds the amount of any damages that such indemnifying party has otherwise been required to pay or has paid by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 4.5 Remedies Cumulative. The indemnity, contribution and expense reimbursement obligations under this Article 4 shall be in addition to any liability that each indemnifying person may otherwise have and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party. Notwithstanding anything in this Agreement to the contrary, an indemnified party- shall not be entitled to receive duplicate indemnification or contribution for the same Losses (except to the extent they are incurred more than once).

ARTICLE 5
UNDERWRITTEN REGISTRATION

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Warrant Holders holding at least 66 2/3% in interest of the applicable Registrable Securities with the consent of Brooke (not to be unreasonably withheld or delayed).

ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 6.1 Representations and Warranties. Brooke represents and warrants to, and agrees with, the Warrant Holders that:

(a) Subject to the terms of Section 2.3.1(q), during the Effectiveness Period, the Registration Statement (and

any post-effective amendment thereto) and the Prospectus (as amended or as supplemented if Brooke shall have filed with the SEC any amendment or supplement to the Registration Statement or the Prospectus) will contain all statements which are required to be stated therein in accordance with the Securities Act and the Regulations, and will not contain any untrue statement of a material fact or omit to state any material fact (except such information which is omitted from the Registration Statement pursuant to Rule 430A Of the Regulations) required to be stated therein or necessary to make the statements therein not misleading, and no event will have occurred which is required to have been set forth in an amendment or supplement to the Registration Statement or the Prospectus which has not then been set forth in such an amendment or supplement; each Preliminary Prospectus, as of the date filed with the SEC, will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances under which they were made; except that no representation or warranty is made in this Section 6.1(a) with respect to statements or omissions made in reliance upon and in conformity with written information furnished to Brooke pursuant to Section 6.2(b) by a Warrant Holder or on behalf of a Warrant Holder expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus, or any amendment or supplement thereto. Each of the documents filed pursuant to the Exchange Act and incorporated or deemed to be incorporated by reference in the Registration Statement will comply in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder.

(b) Brooke has all requisite power and authority to execute, deliver and perform this Agreement. All necessary corporate proceedings of Brooke have been duly taken by it to authorize the execution, delivery, and performance of this Agreement by Brooke. This Agreement has been duly authorized, executed, and delivered by Brooke, is the legal, valid and binding obligation of Brooke, and is enforceable as to Brooke in accordance with its terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental authority or any court or other tribunal is required by Brooke for the execution, delivery or performance of this Agreement by Brooke (except filings under the Securities Act which will be made and such consents consisting only of consents under Blue Sky or state securities laws which will be obtained). No consent of any party to any contract, agreement,

instrument, lease, license, arrangement or understanding to which Brooke is a party or to which any of its properties or assets are subject, is required for the execution, delivery or performance of this Agreement which has not been obtained; and the execution, delivery, and performance of this Agreement will not violate, result in a breach of, conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract agreement, instrument, lease, license, arrangement or understanding or violate or result in a breach of any term of the charter or bylaws of Brooke, or violate, result in a breach of, or conflict with any law, rule, regulation order, judgment or decree binding on Brooke or to which any of its operations, business, properties or assets are subject.

(c) Brooke shall not enter into any transaction involving (i) any merger or consolidation in which it is not the surviving Person, (ii) any sale, lease or other transfer of all or substantially all the assets of Brooke or (iii) in the case of Brooke, any exchange or conversion of any of the Registrable Securities for or into securities of any other issuer, unless effective provision is made for (x) the assumption by the survivor of the transaction or the transferee, jointly and severally with Brooke if Brooke shall remain in existence, of all the obligations of Brooke hereunder, and (y) in the case of clause (iii), the entering into by such other issuer of an agreement comparable hereto and reasonably satisfactory to the Warrant Holders with respect to the registration of such securities of such other issuer.

Section 6.2 Additional Warrant Holder Covenants. Each Warrant Holder represents and warrants (severally) to (in the case of Section 6.2(a)), and agrees with (severally) (in the case of Section 6.2(b)), Brooke, that:

(a) Such Warrant Holder is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Such Warrant Holder has all requisite power and authority to execute, deliver and perform this Agreement. All necessary proceedings of such Warrant Holder have been duly taken to authorize the execution, delivery and performance of this Agreement by such Warrant Holder. This Agreement has been duly authorized by such Warrant Holder, executed and delivered by such Warrant Holder, is the legal, valid and binding obligation of such Warrant Holder, and is enforceable as to such Warrant Holder in accordance with its terms. No consent, authorization, approval, order, license,

certificate, or permit of or from, or declaration or filing with any federal, state, local or other governmental authority or any court or other tribunal is required by such Warrant Holder for (i) the execution, delivery or performance of this Agreement by such Warrant Holder or (ii) the sale of disposition of the Registrable Securities by such Warrant Holder as contemplated by the Registration Statements (except filings under the Securities Act and such consents consisting only of consents under Blue Sky or state securities laws). No consent of any party to any contract, agreement, instrument, lease, license, arrangement or understanding to which such Warrant Holder is a party, or to which any of such Warrant Holder's properties or assets are subject, is required for the execution, delivery or performance of this Agreement which has not been obtained; and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, arrangement or understanding or violate or result in a breach of any term of such Warrant Holder's certificate or articles of incorporation (or similar controlling instrument) or bylaws (or, if applicable, instrument corresponding thereto) or violate, result in a breach of, or conflict with, any law, rule, regulation, order, judgment or decree binding on such Warrant Holder or to which any such Warrant Holder's operations, business, properties or assets are subject.

(b) Each Warrant Holder shall promptly furnish to Brooke in writing, upon Brooke's reasonable request, any and all information as to such Warrant Holder and its plan of distribution as may be necessary to comply with the provisions of the Securities Act, the Regulations, the Exchange Act and the rules and regulations of the SEC thereunder in connection with the preparation and filing of any Registration Statement pursuant hereto, or any amendment or supplement thereto, or any Preliminary Prospectus or Prospectus included therein. All information to be furnished to Brooke by or on behalf of such Warrant Holder expressly for use in connection with the preparation of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, will be accurate, complete and correct.

Section 6.3 Survival of Representations and Agreements. All representations, warranties, covenants and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants and agreements at the

effective date of each Registration Statement contemplated by this Agreement, and such representations, warranties, covenants, and agreements, including the indemnity and contribution agreements contained in Article 4, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Brooke any Warrant Holder or any Person that is entitled to be indemnified under Article 4, and shall survive termination of this Agreement and the expiration of the Effectiveness Period.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Remedies . No failure or delay on the part of a party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 7.2 Amendments and Waivers. The provisions of Articles 2, 3, 4 and 5 (and the provisions of this Section 7.2 as they apply thereto) may not be amended, modified, supplemented, waived or departed from without the express written consent of each affected party. The other provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless Brooke has obtained the written consent of the holders of at least 66 2/3% in interest of the Registrable Securities or Warrant Holders, as applicable. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of the Warrant Holders that are selling securities pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Warrant Holders may be given by the Warrant Holders selling at least 66 2/3% of the Registrable Securities being sold by pursuant to such Registration Statement; provided, however, that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

Section 7.3 Notices. All notices, consents and other communications provided for hereunder shall be in writing (including facsimile, telegraphic or cable communication) and telecopied, telegraphed, telexed, cabled or delivered (x) (i) if to Brooke, to Brooke Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, attention: Bennett S. LeBow, telecopy (305) 579-8001, with a copy to Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, New York 10005,

attention: Michael L. Hirschfeld, telecopy (212) 530-5219, and (ii) if to the Warrant Holders, to the respective addresses and telecopier numbers set forth in Exhibit A, with a copy to Apollo Advisors, 1999 Avenue of the Stars, Suite 1900, Los Angeles, California, 90067, attention: Michael Weiner, telecopy (310) 201-4166, or (y) at such other address as shall be designated by any such party in a written notice to the other parties. All such notices, consents and communications shall be effective when received.

Section 7.4 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 7.5 Entire Agreement; No Third Party Beneficiaries; Obligations of Brooke. This Agreement (including the documents and the instruments expressly referred to herein or therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (ii) except as expressly set forth in Article 4 and in Section 7.8, is not intended to confer upon any Person other than the parties hereto and the Warrant Holders and holders of Registrable Securities any rights or remedies hereunder. The obligations of Brooke pursuant hereto shall be limited to those obligations of Brooke expressly set forth herein.

Section 7.6 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

Section 7.7 Severability. Wherever possible, each provision hereof shall be interpreted in such a manner as to be valid, legal and enforceable under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating or rendering unenforceable the remainder of this Agreement, unless such a construction would be unreasonable or materially impair the rights of any party hereto.

Section 7.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

"Brooke"

Brooke Group Ltd.,
a Delaware corporation

By: /s/ Richard J. Lampen

Its: Executive Vice President

"Warrant Holders"

AIF II, L.P.

By: APOLLO ADVISORS, L.P.
Managing General Partner

By: APOLLO CAPITAL MANAGEMENT, INC.
General Partner

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

ARTEMIS AMERICA PARTNERSHIP

By: LION ADVISORS, L.P.
Attorney-in-Fact

By: LION CAPITAL MANAGEMENT, INC.
General Partner

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

EXHIBIT A

WARRANT HOLDERS

Artemis America Partnership

AIF II, L.P.

EXHIBIT 10.8

LIMITED RECOURSE GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (this "Guarantee"), dated as of March 2, 1998 is made by Brooke (Overseas) Ltd., a Delaware corporation (the "Guarantor"), for the equal and ratable benefit of AIF II, L.P., a Delaware limited partnership ("AIF II") and ARTEMIS AMERICA PARTNERSHIP, a Delaware limited partnership (as successor to Artemis America, LLC, a Delaware limited liability company) (collectively, with AIF II, the "Participating Holders").

R E C I T A L S:

WHEREAS, BGLS Inc., a Delaware corporation (the "Company"), has entered into the Indenture (as amended, modified, supplemented and in effect from time to time, the "Indenture") dated as of January 1, 1996 between the Company and State Street Bank and Trust Company (as successor to Fleet National Bank of Massachusetts), as trustee (the "Trustee");

WHEREAS, pursuant to the terms and conditions of the Standstill Agreement dated as of March 2, 1998 between the Company and the Participating Holders (the "Standstill Agreement"), the Participating Holders have agreed to defer the payment of interest due to the Participating Holders under the Indenture until the occurrence of a Termination Event (as defined in the Standstill Agreement);

WHEREAS, it is a condition to the Participating Holders entering into the Standstill Agreement that the Guarantor shall have (i) pledged certain securities to the Participating Holders pursuant to Pledge Agreements dated as of the date of this Guarantee (the "Pledge Agreements") and (ii) guaranteed for the benefit of the Participating Holders the Company's obligations under the Series B Senior Secured Notes (as defined below); and

WHEREAS, the Guarantor, expects to receive substantial benefits from the performance of the Standstill Agreement;

NOW, THEREFORE, to induce the Participating Holders to enter into the Standstill Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor has agreed to guarantee the Guaranteed Obligations (as defined below) upon the terms and conditions of this Guarantee. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Interpretation.

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Guarantee that are defined in the Indenture (including those terms incorporated therein by reference) shall have the respective meanings set forth in the Indenture. In addition, the following terms shall have the following meanings under this Guarantee:

"Guaranteed Obligations" means any and all obligations of the Company for the payment of all amounts, liabilities and indebtedness (whether for principal, interest (including interest at the post-default rate, fees, charges, indemnification or otherwise) now or in the future owed to the Participating Holders under the Indenture, the Series B Senior Secured Notes and the Standstill Agreement and any extensions, renewals or modifications of any of the foregoing, and for the performance by the Company of its agreements, covenants and undertakings, under or in respect of the Indenture, the Series B Senior Secured Notes and the Standstill Agreement and any renewals, extensions or modifications of any of the foregoing.

1.2 Interpretation. In this Guarantee, unless otherwise indicated, the singular includes the plural and plural the singular; words importing any gender include the other gender; references to statutes or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections), exhibits, annexes or schedules are to this Guarantee; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments, extensions and other modifications to such instruments (without, however, limiting any prohibition on any such amendments, extensions or modifications by the terms of this Guarantee); and references to Persons include their respective permitted successors and assigns and, in the case of Governmental Persons, Persons succeeding to their respective functions and capacities.

Section 2. The Guarantee.

2.1 The Guarantee. The Guarantor hereby guarantees to each of the Participating Holders the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Guaranteed Obligations. The Guarantor hereby further agrees that if the Company shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

2.2 Obligations Unconditional. The obligations of the Guarantor under Section 2.1 are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the Indenture, the Series B Senior Secured Notes or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2.2 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantor hereunder which shall remain absolute and unconditional as described above:

1. at any time or from time to time, without notice to the Guarantor, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

2. any of the acts mentioned in any of the provisions of the Indenture, the Series B Senior Secured Notes, the Standstill Agreement or any other agreement or instrument referred to herein or therein shall be done or omitted;

3. the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under the Indenture, the Series B Senior Secured Notes, the Standstill Agreement or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

4. any lien or security interest granted to, or in favor of, the Participating Holders as security for any of the Guaranteed Obligations (including, without limitation, those granted under the Pledge Agreement) shall fail to be perfected.

The Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Participating Holders exhaust any right, power or remedy or proceed against the Company under the Indenture, the Series B Senior Secured Notes, the Standstill Agreement or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

2.3 Reinstatement. The obligations of the Guarantor under this Section 2 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in

bankruptcy or reorganization or otherwise, and the Guarantor agrees that it will indemnify each of the Participating Holders on demand for all reasonable costs and expenses (including, fees of counsel) incurred by each of the Participating Holders in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

2.4 Subrogation. Until the Guaranteed Obligations have been satisfied in full, the Guarantor hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including any such right arising under the Federal Bankruptcy Code) or otherwise by reason of any payment by it pursuant to the provisions of this Section 2.

2.5 Remedies. The Guarantor agrees that, as between the Guarantor and each of the Participating Holders, the obligations of the Company under the Indenture and the Series B Senior Secured Notes (including the obligations under the Standstill Agreement) may be declared to be forthwith due and payable as provided in Section 7.02 of the Indenture (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 7.02) and Section 7 of the Termination Agreement for purposes of Section 2.1 hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Company and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Company) shall forthwith become due and payable by the Guarantor for purposes of said Section 2.1.

2.6 Separate Action. The Participating Holders may bring and prosecute a separate action or actions against the Guarantor whether or not the Company, any other guarantor or any other Person is joined in any such action or a separate action or actions are brought against the Company, any other guarantor, any other Person, or any collateral for all or any part of the Guaranteed Obligations. The obligations of the Guarantor under, and the effectiveness of, this Guarantee are not conditioned upon the existence or continuation of any other guarantee (including any letter of credit) of all or any part of the Guaranteed Obligations.

2.7 Instrument for the Payment of Money; Post-Default Interest. The Guarantor hereby acknowledges that the guarantee in this Section 2 constitutes an instrument for the payment of money, and consents and agrees that each of the Participating Holders, at each Participating Holder's sole option, in the event of a dispute by the Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213. In addition, the Guarantor hereby agrees that in the event it shall fail to pay in full any amount owing by it hereunder on the date upon which the same shall become due (whether upon demand or otherwise), it shall be obligated to pay interest at the post-default rate in respect of such amount for each day during the period from and including the due date thereof to but excluding the date the same shall be paid in full, such interest to be payable upon demand of the Participating Holders.

2.8 Continuing Guarantee. The guarantee in this Section 2 is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

Section 3. Representations and Warranties. The Guarantor represents and warrants to each of the Participating Holders that:

3.1 Corporate Existence. The Guarantor is a corporation duly organized and validly existing under the laws of the state of Delaware and has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted.

3.2 No Breach. None of the execution and delivery of this Guarantee, the consummation of the transactions herein contemplated or compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of the Guarantor, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Guarantor or any of its Subsidiaries is a party or by which any of them is bound or to which any of them is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Guarantor or any of its Subsidiaries pursuant to the terms of any such agreement or instrument.

3.3 Corporate Action. The Guarantor has all necessary corporate power and authority to execute, deliver and perform its obligations under this Guarantee; the execution, delivery and performance by the Guarantor of this Guarantee have been duly authorized by all necessary corporate action on its part; and this Guarantee has been duly and validly executed and delivered by the Guarantor and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms.

3.4 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency, or any securities exchange are necessary for the execution, delivery or performance by the Guarantor of this Guarantee or for the validity or enforceability hereof.

Section 4. Miscellaneous.

4.1 No Waiver. No failure on the part of any of the Participating Holders to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any of the Participating Holders of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

4.2 Notices. All notices, requests, consents and demands hereunder shall be in writing and telecopied or delivered to the intended recipient at the "Address for Notices" specified for the Company in the Indenture or, as to either party, at such other address as shall be designated by such party in a notice to the other party. Except as otherwise provided in this Guarantee, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

4.3 Expenses. The Guarantor agrees to reimburse each of the Participating Holders for all reasonable costs and expenses of such Participating Holder (including, the reasonable fees and expenses of legal counsel) in connection with (a) any Event of Default and any enforcement or collection proceeding resulting therefrom, including, all manner of participation in or other involvement with (x) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, (y) judicial or regulatory proceedings and (z) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated) and (b) the enforcement of this Section 4.3.

4.4 Amendments, Etc. The terms of this Guarantee may be waived, altered or amended only by an instrument in writing duly executed by the Guarantor and each of the Participating Holders. Any such amendment or waiver shall be binding upon the Participating Holders, each holder of any of the Guaranteed Obligations and the Guarantor.

4.5 Successors and Assigns. This Guarantee shall be binding upon and inure to the benefit of the respective successors and assigns of the Guarantor, the Participating Holders, and each holder of any of the Guaranteed Obligations (provided, however, that the Guarantor shall not assign or transfer its rights hereunder without the prior written consent of each of the Participating Holders).

4.6 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Guarantee.

4.7 Counterparts. This Guarantee may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and either of the parties hereto may execute this Guarantee by signing any such counterpart.

4.8 Governing Law; Submission to Jurisdiction. This Guarantee shall be governed by, and construed in accordance with, the law of the State of New York. The Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), and of any other appellate court in the State of New York, for the purposes of all legal proceedings arising out of or relating to this Guarantee or the transactions contemplated hereby. The Guarantor hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to

the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

4.9 Waiver of Jury Trial. EACH OF THE GUARANTOR AND PARTICIPATING HOLDERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTEE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4.10 Agents and Attorneys-in-Fact. The Participating Holders may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

4.11 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Participating Holders in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

4.12 Limitation on Recourse. Notwithstanding anything to the contrary contained in this Guarantee, recourse to the Guarantor under this Guarantee shall be limited to the collateral granted pursuant to the Pledge Agreements.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee to be duly executed and delivered as of the day and year first above written.

BROOKE (OVERSEAS) LTD.

By /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

EXHIBIT 10.9

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this "Agreement") dated as of March 2, 1998, is made between Brooke (Overseas) Ltd. (the "Pledgor") and AIF II, L.P. (the "Pledgee").

R E C I T A L S:

WHEREAS, BGLS Inc., a Delaware corporation (the "Company"), has entered into the Indenture (as amended, modified, supplemented and in effect from time to time, the "Indenture") dated as of January 1, 1996 between the Company and State Street Bank and Trust Company (as successor to Fleet National Bank of Massachusetts), as trustee (the "Trustee");

WHEREAS, pursuant to the terms and conditions of the Standstill Agreement dated as of March 2, 1998 between the Company, the Pledgee and Artemis American Partnership L.P. ("AAP", collectively with the Pledgee, the "Participating Holders")(the "Standstill Agreement"), the Participating Holders have agreed to defer the payment of interest due to the Parti cipating Holders under the Indenture until the occurrence of a Termination Event (as defined in the Standstill Agreement);

WHEREAS, the Issuer has elected pursuant to Section 8103 of the Delaware Commercial Code to treat interests in the Issuer as securities which may be perfected through possession of the security;

WHEREAS, it is a condition to the Participating Holders entering into the Standstill Agreement that the Pledgor shall (i) pledge the Collateral (as defined below) to the Pledgee, (ii) pledge certain securities to AAP pursuant to a Pledge Agreement dated as of the date of this Agreement and (iii) guarantee for the benefit of the Participating Holders the Guaranteed Obligations (as defined in the Limited Recourse Guarantee); and

NOW, THEREFORE, to induce the Participating Holders to enter into the Standstill Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor has agreed to pledge the Collateral upon the terms and conditions of this Agreement. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Interpretation.

1.01 Certain Defined Terms. (a) Each capitalized term used in this Agreement and not defined in this Agreement shall have the meaning assigned to such term (whether directly or by reference to another agreement or document) in the Indenture or the Limited Recourse Guarantee. The principles of interpre tation set forth in Section 1.03 of the Indenture shall apply to this Agreement. Unless otherwise defined in this Agreement or in the Indenture, terms used in Article 9 of the Uniform Commercial Code (as defined below) are used in this Agreement as defined in such Article 9.

(b) In addition, the following terms shall have the meanings set forth below:

"Collateral" shall have the meaning assigned to that term in Section 2.01.

"Equity Collateral" shall have the meaning assigned to that term in Section 2.01(a).

"Equity Rights" shall have the meaning assigned to that term in Section 2.01(a).

"Issuer" shall mean Western Tobacco Investments LLC, a Delaware limited liability company.

"Limited Recourse Guarantee" shall mean the Limited Recourse Guarantee dated as of March 2, 1998 between the Pledgor and the Participating Holders.

"LLC Agreement" shall mean the Limited Liability Company Agreement of Western Tobacco Investments LLC dated as of February 27, 1998 adopted and executed by the Issuer, the Pledgor and Western Realty Development LLC.

"Pledged Equity" shall have the meaning assigned to that term in Section 2.01(a).

"Secured Obligations" shall mean the Guaranteed Obligations (as defined in the Limited Recourse Guarantee).

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in from time to time in any applicable jurisdiction.

Section 2. Collateral.

2.01 Grant. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and timely performance of the Secured Obligations, the Pledgor hereby pledges and grants to the Pledgee a security interest in all of the Pledgor's right, title and interest in and to the following property, whether now owned or acquired in the future by the Pledgor and whether now existing or in the future coming into existence (collectively, the "Collateral"):

(a) a 28.20% membership interest in the Issuer together with (i) the share certificates representing the same identified in Exhibit A and (ii) the right, title and interest of the Pledgor with respect to such 28.20% membership interest in, to and under the LLC Agreement (collectively, the "Pledged Equity"); and

(b) all shares, securities, moneys or property representing a dividend on, or a distribution or return of capital in respect of any of the Pledged Equity, resulting from a split-up, revision, reclassification or other like change of any of the Pledged Equity or otherwise received in exchange for any of the Pledged Equity and all subscriptions, options, warrants or other rights of like nature (the "Equity Rights") issued to the holders of, or otherwise in respect of, any of the Pledged Equity; and

(c) in the event of any consolidation or merger in which the Issuer is not the surviving entity, all of the mem bership interest, or other equity interests of the successor corporation or successor entity (unless such successor entity is the Pledgor itself) formed by or resulting from such consoli dation or merger (collectively, and together with the property described in clauses (a) and (b) above, the "Equity Collateral"); and

(d) all proceeds and products in whatever form of all or any part of the foregoing.

2.02 Perfection and Registration of Pledge. Concurrently with the execution and delivery of this Agreement, the Pledgor shall (i) deliver to the Pledgee all of the certifi cates identified in Exhibit A, accompanied by undated certificate powers duly executed in blank and (ii) take all such other actions as shall be necessary or as the Pledgee may reasonably request to perfect and establish the priority of the Liens granted by this Agreement.

2.03 Preservation and Protection of Security Interests. The Pledgor shall:

(a) upon the acquisition after the date of this Agreement by the Pledgor of any Equity Collateral, promptly either (x) transfer and deliver to the Pledgee all such Equity Collateral (together with, if applicable, the certificates representing such Equity Collateral duly endorsed in blank or accompanied by undated powers duly executed in blank or such instruments of transfer as the Pledgee shall direct in its discretion to effectuate the purposes of this Agreement) or (y) take such other action as the Pledgee shall deem reasonably necessary or appropriate to perfect, and establish the priority of, the Liens granted by this Agreement in such Equity Collateral; and

(b) give, execute, deliver, file or record any and all financing statements, notices, contracts, agreements or other instruments, obtain any and all governmental approvals and take such steps as are reasonably necessary to create, perfect, establish the priority of, or to preserve the validity, per fection or priority of, the Liens granted by this Agreement or to enable the Pledgee to exercise and enforce its rights, remedies, powers and privileges under this Agreement with respect to such Liens, including causing any or all of the Equity Collateral to be transferred of record into the name of the Pledgee or its nominee (and the Pledgee agrees that if any Equity Collateral is transferred into its name or the name of its nominee, the Pledgee will thereafter promptly give to the Pledgee copies of any notices and communications received by it with respect to the Equity Collateral pledged by the Pledgor).

2.04 Attorney-in-Fact. Subject to the rights of the Pledgor under Section 2.05, the Pledgee is hereby appointed the attorney-in-fact of the Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and exe cuting any instruments as are reasonably necessary to accomplish the purposes of this Agreement, to preserve the validity, per fection and priority of the Liens granted by this Agreement and, following any Termination Event, to exercise its rights, remedies, powers and privileges under this Agreement. This appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Pledgee shall be entitled under this Agreement upon the occurrence and continuation of any Termination Event (i) to ask, demand, collect, sue for, recover, receive and give receipt and discharge for amounts due and to become due under and in respect of all or any part of the Collateral; (ii) to receive, endorse and collect any drafts, instruments, documents and chattel paper in connection with clause (i) above; (iii) to file any claims or

take any action or proceeding as is reasonably necessary for the collection of all or any part of the Collateral; and (iv) to execute, in connection with any sale or disposition of the Collateral under Section 5, any endorsements, assignments, bills of sale or other instruments of conveyance or transfer with respect to all or any part of the Collateral.

2.05 Special Provisions Relating to Equity Collateral.

(a) So long as no Termination Event shall have occurred and be continuing, the Pledgor shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Equity Collateral for all purposes not inconsistent with the terms of this Agreement; provided that the Pledgor agrees that it will not vote the Equity Collateral in any manner that is inconsistent with the terms of this Agreement; and the Pledgee shall, at the Pledgor's expense, execute and deliver to the Pledgor or cause to be executed and delivered to the Pledgor all such proxies, powers of attorney, dividend or distribution and other orders and other instruments, without recourse, as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the rights and powers which it is entitled to exercise pursuant to this Section 2.05(a).

(b) So long as no Termination Event shall have occurred and be continuing, the Pledgor shall be entitled to receive and retain any dividends or other distributions on the Equity Collateral.

(c) If any Termination Event shall have occurred and be continuing, and whether or not the Pledgee exercises any available right to declare any Secured Obligation due and payable or seeks or pursues any other right, remedy, power or privilege available to it under applicable law or this Agreement, all dividends and other distributions on the Equity Collateral shall be paid directly to the Pledgee as part of the Equity Collateral, subject to the terms of this Agreement, and, if the Pledgee shall so request, the Pledgor agrees to execute and deliver to the Pledgee appropriate additional dividend, distribution and other orders and instruments to that end; provided that if such Termination Event is cured or rescinded, any such dividend or distribution paid to the Pledgee prior to such cure shall, upon request of the Pledgor (except to the extent applied to the Secured Obligations), be returned by the Pledgee to the Pledgor.

2.06 Rights and Obligations.

(a) No reference in this Agreement to proceeds or to the sale or other disposition of Collateral shall authorize the

Pledgor to sell or otherwise dispose of any Collateral except to the extent otherwise expressly permitted by the terms of this Agreement.

(b) The Pledgee shall not be required to take steps necessary to preserve any rights against prior parties to any part of the Collateral.

(c) The Pledgor shall remain liable to perform its duties and obligations under the LLC Agreement in accordance with its terms to the same extent as if this Agreement had not been executed and delivered. The exercise by the Pledgee of any right, remedy, power or privilege in respect of this Agreement shall not release the Pledgor from any of its duties and obli gations under the LLC Agreement. The Pledgee shall have no duty, obligation or liability under the LLC Agreement by reason of this Agreement.

2.07 Termination. When all Secured Obligations shall have been satisfied in full, this Agreement shall terminate, and the Pledgee shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect of the Collateral, to or on the order of the Pledgor.

Section 3. Representations and Warranties. As of the date of this Agreement, the Pledgor represents and warrants to the Pledgee as follows:

3.01 Title. The Pledgor is the sole beneficial owner of the Collateral in which it purports to grant a Lien pursuant to this Agreement, and such Collateral is free and clear of all Liens (and, with respect to the Equity Collateral, of any Equity Right in favor of any other Person). The Liens granted by this Agreement in favor of the Pledgee have attached and constitute a perfected security interest in all of such Collateral prior to all other Liens.

3.02 Pledged Equity.

(a) The Pledged Equity evidenced by the certificates identified in Exhibit A is duly authorized, validly existing, fully paid and nonassessable, and none of such Pledged Equity is subject to any contractual restriction, or any restriction under the organizational documents of the Issuer of such Pledged Equity, upon the transfer of such Pledged Equity (except for any such restriction contained in this Agreement).

(b) The Equity Collateral constitutes 28.20% of the total number of membership interests or shares of each class of capital stock, as applicable, of the Issuer currently outstan ding. The attached Exhibit A correctly identifies, as of the date of this Agreement, the membership interests comprising such Pledged Equity and the respective percentage interest in the Issuer as a whole. All such membership interests or shares are duly authorized, validly issued, fully paid and nonassessable and will be free of any contractual restriction or any restriction under the charter or bylaws of the Issuer of the Equity Colla teral, upon the transfer of the Equity Collateral (except for any such restriction contained in this Agreement).

Section 4. Covenants.

4.01 Books and Records. The Pledgor shall:

(a) keep full and accurate books and records relating to the Collateral and stamp or otherwise mark such books and records in such manner as the Pledgee may reasonably require in order to reflect the Liens granted by this Agreement; and

(b) permit representatives of the Pledgee, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, permit representatives of the Pledgee to be present at the Pledgor's place of business to receive copies of all communications and remittances relating to the Collateral and forward copies of any notices or communications received by the Pledgor with respect to the Collateral, all in such manner as the Pledgee may reasonably request.

4.02 Removals, Etc. Without at least 30 days' prior written notice to the Pledgee, the Pledgor shall not (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, other than at the address initially indicated for notices to it under Section 6(c) or (ii) change its corporate name, or the name under which it does business, from the name shown on the signature pages to this Agreement.

4.03 Sales and Other Liens. Except as otherwise permitted under the Indenture, the Pledgor shall not sell, transfer or otherwise dispose of all or any part of the Collateral, create, incur, assume or suffer to exist any Lien upon all or any part of the Collateral or file or suffer to be on file or authorize to be filed, in any jurisdiction, any financing statement or like instrument with respect to all or any part of the Collateral in which the Pledgee is not named as the sole secured party.

4.04 Further Assurances. The Pledgor agrees that, from time to time upon the written request of the Pledgee, the Pledgor will execute and deliver such further documents and do such other acts and things as the Pledgee may reasonably request in order fully to effect the purposes of this Agreement.

4.05 Dilution. The Pledgor shall cause the Equity Collateral to constitute at all times 28.2% of the total equity interests in the Issuer. The Pledgor shall cause all such interests to be duly authorized, validly issued, fully paid and nonassessable and to be free of any contractual restriction or any restriction under the Limited Liability Company Agreement, upon the transfer of such Equity Collateral.

4.06 Financial Reports. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of the Pledgor, the Pledgor shall deliver to the Pledgee, the unaudited financial statements of the Pledgor and the Issurer. Within 120 days after the close of each fiscal year, the Pledgor shall deliver to the Pledgee, the financial statements of the Pledgor and the Issuer, certified by an independent certified public accountant of recognized national standing. The Pledgor represents and warrants that all such financial statements shall be true and correct in all material respects.

Section 5. Remedies.

5.01 Events of Default, Etc. If a Termination Event shall have occurred and be continuing:

(a) the Pledgee in its discretion may, in its name or in the name of the Pledgor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for all or any part of the Collateral, but shall be under no obligation to do so;

(b) the Pledgee in its discretion may, upon ten business days' prior written notice to the Pledgor of the time and place and subject to the terms of the LLC Agreement, with respect to all or any part of the Collateral which shall then be or shall thereafter come into the possession, custody or control of the Pledgee or its agents, sell, lease or otherwise dispose of all or any part of such Collateral, at such place or places as the Pledgee deems best, for cash, for credit or for future delivery (without thereby assuming any credit risk) and at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place of any such sale (except such notice as is required above or by applicable statute and cannot be waived), and the Pledgee or any

other Person may be the purchaser, lessee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Pledgor, any such demand, notice and right or equity being hereby expressly waived and released. The Pledgee may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(c) the Pledgee shall have, and in its discretion may exercise, all of the rights, remedies, powers and privileges with respect to the Collateral of a secured party under the Uni form Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where such rights, remedies, powers and privileges are asserted) and such additional rights, remedies, powers and privileges to which a secured party is entitled under the laws in effect in any jurisdiction where any rights, remedies, powers and privileges in respect of this Agreement or the Collateral may be asserted, including the right, to the maximum extent permitted by law (subject to the terms of the LLC Agreement), to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Pledgee was the sole and absolute owner of the Collateral (and the Pledgor agrees to take all such action as may be appropriate to give effect to such right).

The proceeds of, and other realization upon, the Collateral by virtue of the exercise of remedies under this Section 5.01 shall be applied in accordance with Section 5.04.

5.02 Limited Recourse. Notwithstanding anything to the contrary in this Agreement, the Limited Recourse Guarantee, the Standstill Agreement, the Indenture or otherwise, the secur ity interest granted herein secures a limited recourse obligation and recourse for the Secured Obligations is expressly limited solely to the Pledgee's interest in the Collateral.

5.03 Private Sale.

(a) The Pledgee shall incur no liability as a result of the sale, lease or other disposition of all or any part of the Collateral at any private sale pursuant to Section 5.01 conducted in a commercially reasonable manner. The Pledgor hereby waives any claims against the Pledgee arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been

obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Pledgee accepts the first offer received and does not offer the Collateral to more than one offeree.

(b) The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws, the Pledgee may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to distribution or resale. The Pledgor acknow ledges that any such private sales may be at prices and on terms less favorable to the Pledgee than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Pledgee shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the Issuer of the Collateral to register it for public sale.

1.054 Application of Proceeds. Except as otherwise expressly provided in this Agreement, the proceeds of, or other realization upon, all or any part of the Collateral by virtue of the exercise of remedies under Section 5.01, and any other cash at the time held by the Pledgee under this Section 5, shall be applied by the Pledgee:

First, to the payment of the reasonable costs and expenses of such exercise of remedies, including reasonable out-of-pocket costs and expenses of the Pledgee and the reasonable fees and expenses of its counsel;

Next, to the payment in full of the remaining Secured Obligations then due and owing; and

Finally, to the Pledgor, or its respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 5, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any property received under any bankruptcy, reorganization or other similar proceeding as to the Pledgor or any issuer of, or account debtor or other obligor on, any of the Collateral.

Section 6. Miscellaneous.

(a) No Waiver. No failure on the part of the Pledgee to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Agreement shall operate as a waiver of such right, remedy, power or privilege, nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of any such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided in this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(b) Amendments, Etc. Any provision of this Agreement may be modified, supplemented or waived only by an instrument in writing duly executed by the Pledgor and the Pledgee. Any such modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon the Pledgee and the Pledgor, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

(c) Addresses for Notices. All notices and other communications required or permitted to be given or made under this Agreement shall be given or made by mail, overnight courier or facsimile (or, unless such notice is specifically required to be given in writing, by telephone, confirmed in writing by fac simile by the close of business on the day notice is given) and faxed, mailed certified or registered (return receipt requested) or sent by overnight courier, or personally delivered (or tele phoned, as the case may be) at the address specified below or at such other address as shall be designated in a notice in writing.

If to the Pledgee:

AIF, L.P.
c/o Apollo Advisors, L.P.
1999 Avenue of the Stars
Suite 1900
Los Angeles, California 90067
Facsimile No.: (310) 201-4166
Attention: Michael D. Weiner

With a copy to:

Sidley & Austin
875 Third Avenue
New York, New York 10022
Facsimile No.: (212) 906-2021
Attention: Daniel G. Kelly, Jr.

If to the Pledgor:

Brooke (Overseas) Ltd.
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131
Telephone No.: (305) 579-8000
Facsimile No.: (305) 579-8009
Attention: Richard J. Lampen, Esq.

With a copy to:

Milbank, Tweed, Hadley & McCloy
601 S. Figueroa Street
30th Floor
Los Angeles, California 90017
Telephone No.: (213) 892-4408
Facsimile No.: (213) 629-5063
Attention: Eric R. Reimer

(d) Captions. The captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

(e) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such pro hibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unen forceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(f) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties to this Agreement may execute this Agreement by signing any such counterpart.

Section 7. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE

STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THAT STATE.

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IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed as of the day and year first above written.

BROOKE (OVERSEAS) LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

AIF II, L.P.

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

EXHIBIT A

PLEDGED CERTIFICATES

Member	Membership Interest	Certificates
Brooke (Overseas) Ltd.	28.20%	001

EXHIBIT 10.10

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this "Agreement") dated as of March 2, 1998, is made between Brooke (Overseas) Ltd. (the "Pledgor") and Artemis America Partnership, a Delaware partnership (the "Pledgee").

R E C I T A L S:

WHEREAS, BGLS Inc., a Delaware corporation (the "Company"), has entered into the Indenture (as amended, modified, supplemented and in effect from time to time, the "Indenture") dated as of January 1, 1996 between the Company and State Street Bank and Trust Company (as successor to Fleet National Bank of Massachusetts), as trustee (the "Trustee");

WHEREAS, pursuant to the terms and conditions of the Standstill Agreement dated as of March 2, 1998 between the Company, the Pledgee and AIF II, L.P. a Delaware limited partnership ("AIF", collectively with the Pledgee, the "Participating Holders")(the "Standstill Agreement"), the Participating Holders have agreed to defer the payment of interest due to the Participating Holders under the Indenture until the occurrence of a Termination Event (as defined in the Standstill Agreement);

WHEREAS, the Issuer has elected pursuant to Section 8103 of the Delaware Commercial Code to treat interests in the Issuer as securities which may be perfected through possession of the security;

WHEREAS, it is a condition to the Participating Holders entering into the Standstill Agreement that the Pledgor shall (i) pledge the Collateral (as defined below) to the Pledgee, (ii) pledge certain securities to AAP pursuant to a Pledge Agreement dated as of the date of this Agreement and (iii) guarantee for the benefit of the Participating Holders the Guaranteed Obligations (as defined in the Limited Recourse Guarantee); and

NOW, THEREFORE, to induce the Participating Holders to enter into the Standstill Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are

hereby acknowledged, the Pledgor has agreed to pledge the Collateral upon the terms and conditions of this Agreement. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Interpretation.

1.01 Certain Defined Terms. (a) Each capitalized term used in this Agreement and not defined in this Agreement shall have the meaning assigned to such term (whether directly or by reference to another agreement or document) in the Indenture or the Limited Recourse Guarantee. The principles of interpretation set forth in Section 1.03 of the Indenture shall apply to this Agreement. Unless otherwise defined in this Agreement or in the Indenture, terms used in Article 9 of the Uniform Commercial Code (as defined below) are used in this Agreement as defined in such Article 9.

(b) In addition, the following terms shall have the meanings set forth below:

"Collateral" shall have the meaning assigned to that term in Section 2.01.

"Equity Collateral" shall have the meaning assigned to that term in Section 2.01(a).

"Equity Rights" shall have the meaning assigned to that term in Section 2.01(a).

"Issuer" shall mean Western Tobacco Investments LLC, a Delaware limited liability company.

"Limited Recourse Guarantee" shall mean the Limited Recourse Guarantee dated as of March 2, 1998 between the Pledgor and the Participating Holders.

"LLC Agreement" shall mean the Limited Liability Company Agreement of Western Tobacco Investments LLC dated as of February 27, 1998 adopted and executed by the Issuer, the Pledgor and Western Realty Development LLC.

"Pledged Equity" shall have the meaning assigned to that term in Section 2.01(a).

"Secured Obligations" shall mean the Guaranteed Obligations (as defined in the Limited Recourse Guarantee).

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in from time to time in any applicable jurisdiction.

Section 2. Collateral.

2.01 Grant. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) and timely performance of the Secured Obligations, the Pledgor hereby pledges and grants to the Pledgee a security interest in all of the Pledgor's right, title and interest in and to the following property, whether now owned or acquired in the future by the Pledgor and whether now existing or in the future coming into existence (collectively, the "Collateral"):

(a) a 21.90% membership interest in the Issuer together with (i) the share certificates representing the same identified in Exhibit A and (ii) the right, title and interest of the Pledgor with respect to such 21.90% membership interest in, to and under the LLC Agreement (collectively, the "Pledged Equity"); and

(b) all shares, securities, moneys or property representing a dividend on, or a distribution or return of capital in respect of any of the Pledged Equity, resulting from a split-up, revision, reclassification or other like change of any of the Pledged Equity or otherwise received in exchange for any of the Pledged Equity and all subscriptions, options, warrants or other rights of like nature (the "Equity Rights") issued to the holders of, or otherwise in respect of, any of the Pledged Equity; and

(c) in the event of any consolidation or merger in which the Issuer is not the surviving entity, all of the membership interest, or other equity interests of the successor corporation or successor entity (unless such successor entity is the Pledgor itself) formed by or resulting from such consolidation or merger (collectively, and together with the property described in clauses (a) and (b) above, the "Equity Collateral"); and

(d) all proceeds and products in whatever form of all or any part of the foregoing.

2.02 Perfection and Registration of Pledge. Concurrently with the execution and delivery of this Agreement, the Pledgor shall (i) deliver to the Pledgee all of the certificates identified in Exhibit A, accompanied by undated certificate powers duly executed in blank and (ii) take all such

other actions as shall be necessary or as the Pledgee may reasonably request to perfect and establish the priority of the Liens granted by this Agreement.

2.03 Preservation and Protection of Security Interests. The Pledgor shall:

(a) upon the acquisition after the date of this Agreement by the Pledgor of any Equity Collateral, promptly either (x) transfer and deliver to the Pledgee all such Equity Collateral (together with, if applicable, the certificates representing such Equity Collateral duly endorsed in blank or accompanied by undated powers duly executed in blank or such instruments of transfer as the Pledgee shall direct in its discretion to effectuate the purposes of this Agreement) or (y) take such other action as the Pledgee shall deem reasonably necessary or appropriate to perfect, and establish the priority of, the Liens granted by this Agreement in such Equity Collateral; and

(b) give, execute, deliver, file or record any and all financing statements, notices, contracts, agreements or other instruments, obtain any and all governmental approvals and take such steps as are reasonably necessary to create, perfect, establish the priority of, or to preserve the validity, perfection or priority of, the Liens granted by this Agreement or to enable the Pledgee to exercise and enforce its rights, remedies, powers and privileges under this Agreement with respect to such Liens, including causing any or all of the Equity Collateral to be transferred of record into the name of the Pledgee or its nominee (and the Pledgee agrees that if any Equity Collateral is transferred into its name or the name of its nominee, the Pledgee will thereafter promptly give to the Pledgee copies of any notices and communications received by it with respect to the Equity Collateral pledged by the Pledgor).

2.04 Attorney-in-Fact. Subject to the rights of the Pledgor under Section 2.05, the Pledgee is hereby appointed the attorney-in-fact of the Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments as are reasonably necessary to accomplish the purposes of this Agreement, to preserve the validity, perfection and priority of the Liens granted by this Agreement and, following any Termination Event, to exercise its rights, remedies, powers and privileges under this Agreement. This appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Pledgee shall be entitled under this Agreement upon the occurrence and continuation of any Termination Event (i) to ask, demand, collect, sue for, recover, receive and give

receipt and discharge for amounts due and to become due under and in respect of all or any part of the Collateral; (ii) to receive, endorse and collect any drafts, instruments, documents and chattel paper in connection with clause (i) above; (iii) to file any claims or take any action or proceeding as is reasonably necessary for the collection of all or any part of the Collateral; and (iv) to execute, in connection with any sale or disposition of the Collateral under Section 5, any endorsements, assignments, bills of sale or other instruments of conveyance or transfer with respect to all or any part of the Collateral.

2.05 Special Provisions Relating to Equity Collateral.

(a) So long as no Termination Event shall have occurred and be continuing, the Pledgor shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Equity Collateral for all purposes not inconsistent with the terms of this Agreement; provided that the Pledgor agrees that it will not vote the Equity Collateral in any manner that is inconsistent with the terms of this Agreement; and the Pledgee shall, at the Pledgor's expense, execute and deliver to the Pledgor or cause to be executed and delivered to the Pledgor all such proxies, powers of attorney, dividend or distribution and other orders and other instruments, without recourse, as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the rights and powers which it is entitled to exercise pursuant to this Section 2.05(a).

(b) So long as no Termination Event shall have occurred and be continuing, the Pledgor shall be entitled to receive and retain any dividends or other distributions on the Equity Collateral.

(c) If any Termination Event shall have occurred and be continuing, and whether or not the Pledgee exercises any available right to declare any Secured Obligation due and payable or seeks or pursues any other right, remedy, power or privilege available to it under applicable law or this Agreement, all dividends and other distributions on the Equity Collateral shall be paid directly to the Pledgee as part of the Equity Collateral, subject to the terms of this Agreement, and, if the Pledgee shall so request, the Pledgor agrees to execute and deliver to the Pledgee appropriate additional dividend, distribution and other orders and instruments to that end; provided that if such Termination Event is cured or rescinded, any such dividend or distribution paid to the Pledgee prior to such cure shall, upon request of the Pledgor (except to the extent applied to the Secured Obligations), be returned by the Pledgee to the Pledgor.

2.06 Rights and Obligations.

(a) No reference in this Agreement to proceeds or to the sale or other disposition of Collateral shall authorize the Pledgor to sell or otherwise dispose of any Collateral except to the extent otherwise expressly permitted by the terms of this Agreement.

(b) The Pledgee shall not be required to take steps necessary to preserve any rights against prior parties to any part of the Collateral.

(c) The Pledgor shall remain liable to perform its duties and obligations under the LLC Agreement in accordance with its terms to the same extent as if this Agreement had not been executed and delivered. The exercise by the Pledgee of any right, remedy, power or privilege in respect of this Agreement shall not release the Pledgor from any of its duties and obligations under the LLC Agreement. The Pledgee shall have no duty, obligation or liability under the LLC Agreement by reason of this Agreement.

2.07 Termination. When all Secured Obligations shall have been satisfied in full, this Agreement shall terminate, and the Pledgee shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect of the Collateral, to or on the order of the Pledgor.

Section 3. Representations and Warranties. As of the date of this Agreement, the Pledgor represents and warrants to the Pledgee as follows:

3.01 Title. The Pledgor is the sole beneficial owner of the Collateral in which it purports to grant a Lien pursuant to this Agreement, and such Collateral is free and clear of all Liens (and, with respect to the Equity Collateral, of any Equity Right in favor of any other Person). The Liens granted by this Agreement in favor of the Pledgee have attached and constitute a perfected security interest in all of such Collateral prior to all other Liens.

3.02 Pledged Equity.

(a) The Pledged Equity evidenced by the certificates identified in Exhibit A is duly authorized, validly existing, fully paid and nonassessable, and none of such Pledged Equity is subject to any contractual restriction, or any restriction under

the organizational documents of the Issuer of such Pledged Equity, upon the transfer of such Pledged Equity (except for any such restriction contained in this Agreement).

(b) The Equity Collateral constitutes 21.90% of the total number of membership interests or shares of each class of capital stock, as applicable, of the Issuer currently outstanding. The attached Exhibit A correctly identifies, as of the date of this Agreement, the membership interests comprising such Pledged Equity and the respective percentage interest in the Issuer as a whole. All such membership interests or shares are duly authorized, validly issued, fully paid and nonassessable and will be free of any contractual restriction or any restriction under the charter or bylaws of the Issuer of the Equity Collateral, upon the transfer of the Equity Collateral (except for any such restriction contained in this Agreement).

Section 4. Covenants.

4.01 Books and Records. The Pledgor shall:

(a) keep full and accurate books and records relating to the Collateral and stamp or otherwise mark such books and records in such manner as the Pledgee may reasonably require in order to reflect the Liens granted by this Agreement; and

(b) permit representatives of the Pledgee, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, permit representatives of the Pledgee to be present at the Pledgor's place of business to receive copies of all communications and remittances relating to the Collateral and forward copies of any notices or communications received by the Pledgor with respect to the Collateral, all in such manner as the Pledgee may reasonably request.

4.02 Removals, Etc. Without at least 30 days' prior written notice to the Pledgee, the Pledgor shall not (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, other than at the address initially indicated for notices to it under Section 6(c) or (ii) change its corporate name, or the name under which it does business, from the name shown on the signature pages to this Agreement.

4.03 Sales and Other Liens. Except as otherwise permitted under the Indenture, the Pledgor shall not sell, transfer or otherwise dispose of all or any part of the Collateral, create, incur, assume or suffer to exist any Lien upon all or any part of the Collateral or file or suffer to be on

file or authorize to be filed, in any jurisdiction, any financing statement or like instrument with respect to all or any part of the Collateral in which the Pledgee is not named as the sole secured party.

4.04 Further Assurances. The Pledgor agrees that, from time to time upon the written request of the Pledgee, the Pledgor will execute and deliver such further documents and do such other acts and things as the Pledgee may reasonably request in order fully to effect the purposes of this Agreement.

4.05 Dilution. The Pledgor shall cause the Equity Collateral to constitute at all times 21.90% of the total equity interests in the Issuer. The Pledgor shall cause all such interests to be duly authorized, validly issued, fully paid and nonassessable and to be free of any contractual restriction or any restriction under the Limited Liability Company Agreement, upon the transfer of such Equity Collateral.

4.06 Financial Reports. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of the Pledgor, the Pledgor shall deliver to the Pledgee, the unaudited financial statements of the Pledgor and the Issuer. Within 120 days after the close of each fiscal year, the Pledgor shall deliver to the Pledgee, the financial statements of the Pledgor and the Issuer, certified by an independent certified public accountant of recognized national standing. The Pledgor represents and warrants that all such financial statements shall be true and correct in all material respects.

Section 5. Remedies.

5.01 Events of Default, Etc. If a Termination Event shall have occurred and be continuing:

(a) the Pledgee in its discretion may, in its name or in the name of the Pledgor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for all or any part of the Collateral, but shall be under no obligation to do so;

(b) the Pledgee in its discretion may, upon ten business days' prior written notice to the Pledgor of the time and place and subject to the terms of the LLC Agreement, with respect to all or any part of the Collateral which shall then be or shall thereafter come into the possession, custody or control of the Pledgee or its agents, sell, lease or otherwise dispose of all or any part of such Collateral, at such place or places as the Pledgee deems best, for cash, for credit or for future

delivery (without thereby assuming any credit risk) and at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place of any such sale (except such notice as is required above or by applicable statute and cannot be waived), and the Pledgee or any other Person may be the purchaser, lessee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Pledgor, any such demand, notice and right or equity being hereby expressly waived and released. The Pledgee may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(c) the Pledgee shall have, and in its discretion may exercise, all of the rights, remedies, powers and privileges with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where such rights, remedies, powers and privileges are asserted) and such additional rights, remedies, powers and privileges to which a secured party is entitled under the laws in effect in any jurisdiction where any rights, remedies, powers and privileges in respect of this Agreement or the Collateral may be asserted, including the right, to the maximum extent permitted by law (subject to the terms of the LLC Agreement), to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Pledgee was the sole and absolute owner of the Collateral (and the Pledgor agrees to take all such action as may be appropriate to give effect to such right).

The proceeds of, and other realization upon, the Collateral by virtue of the exercise of remedies under this Section 5.01 shall be applied in accordance with Section 5.04.

5.02 Limited Recourse. Notwithstanding anything to the contrary in this Agreement, the Limited Recourse Guarantee, the Standstill Agreement, the Indenture or otherwise, the security interest granted herein secures a limited recourse obligation and recourse for the Secured Obligations is expressly limited solely to the Pledgee's interest in the Collateral.

5.03 Private Sale.

(a) The Pledgee shall incur no liability as a result of the sale, lease or other disposition of all or any part of the

Collateral at any private sale pursuant to Section 5.01 conducted in a commercially reasonable manner. The Pledgor hereby waives any claims against the Pledgee arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Pledgee accepts the first offer received and does not offer the Collateral to more than one offeree.

(b) The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws, the Pledgee may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to distribution or resale. The Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to the Pledgee than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Pledgee shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the Issuer of the Collateral to register it for public sale.

5.04 Application of Proceeds. Except as otherwise expressly provided in this Agreement, the proceeds of, or other realization upon, all or any part of the Collateral by virtue of the exercise of remedies under Section 5.01, and any other cash at the time held by the Pledgee under this Section 5, shall be applied by the Pledgee:

First, to the payment of the reasonable costs and expenses of such exercise of remedies, including reasonable out-of-pocket costs and expenses of the Pledgee and the reasonable fees and expenses of its counsel;

Next, to the payment in full of the remaining Secured Obligations then due and owing; and

Finally, to the Pledgor, or its respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 5, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any property received under any bankruptcy, reorganization or

other similar proceeding as to the Pledgor or any issuer of, or account debtor or other obligor on, any of the Collateral.

Section 6. Miscellaneous.

(a) No Waiver. No failure on the part of the Pledgee to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Agreement shall operate as a waiver of such right, remedy, power or privilege, nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of any such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided in this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(b) Amendments, Etc. Any provision of this Agreement may be modified, supplemented or waived only by an instrument in writing duly executed by the Pledgor and the Pledgee. Any such modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon the Pledgee and the Pledgor, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

(c) Addresses for Notices. All notices and other communications required or permitted to be given or made under this Agreement shall be given or made by mail, overnight courier or facsimile (or, unless such notice is specifically required to be given in writing, by telephone, confirmed in writing by facsimile by the close of business on the day notice is given) and faxed, mailed certified or registered (return receipt requested) or sent by overnight courier, or personally delivered (or telephoned, as the case may be) at the address specified below or at such other address as shall be designated in a notice in writing.

If to the Pledgee:

Artemis America Partnership
c/o Lion Advisors, L.P.
2 Manhattanville Road
Purchase, New York 10577
Facsimile: (914) 694-8032
Attention: Tony Tortorelli

With a copy to:

Sidley & Austin
875 Third Avenue
New York, New York 10022
Facsimile No.: (212) 906-2021
Attention: Daniel G. Kelly, Jr.

If to the Pledgor:

Brooke (Overseas) Ltd.
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131
Telephone No.: (305) 579-8000
Facsimile No.: (305) 579-8009
Attention: Richard J. Lampen, Esq.

With a copy to:

Milbank, Tweed, Hadley & McCloy
601 S. Figueroa Street
30th Floor
Los Angeles, California 90017
Telephone No.: (213) 892-4408
Facsimile No.: (213) 629-5063
Attention: Eric R. Reimer

(d) Captions. The captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

(e) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition

or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(f) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties to this Agreement may execute this Agreement by signing any such counterpart.

Section 7. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THAT STATE.

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IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed as of the day and year first above written.

BROOKE (OVERSEAS) LTD.

By: /s/ Richard J. Lampen

Name: Richard J. Lampen
Title: Executive Vice President

ARTEMIS AMERICA PARTNERSHIP, L.P.

By: /s/ John J. Hannan

Name: John J. Hannan
Title:

EXHIBIT A

PLEDGED CERTIFICATES

Member	Membership Interest	Certificates
Brooke (Overseas) Ltd.	21.90%	002

EXHIBIT 99.1

PRESS RELEASE

BROOKE GROUP AND NEW VALLEY TO INVEST IN REAL ESTATE IN RUSSIA WITH APOLLO FUND

MIAMI, FL, March 2, 1998 -- Brooke Group Ltd. (NYSE: BGL) and New Valley Corporation (OTC: NVYL) announced today that New Valley has entered into a joint venture with Apollo Real Estate Investment Fund III, L.P. to form Western Realty Development LLC to develop real estate in Moscow, Russia. Pursuant to the agreement, the contributions of New Valley to Western Realty will include the assets of its BrookeMil Ltd. subsidiary, a real estate development company in Russia that owns a major office project in Moscow. Apollo will contribute up to $58 million to Western Realty.

BrookeMil is currently developing a three-phase complex on 2.2 acres of land in downtown Moscow. The first phase of the project, Ducat Place I, a 46,500 sq. ft. Class-A office building, was successfully built and leased in 1993 and sold to a tenant in April, 1997. In 1997, BrookeMil completed construction of Ducat Place II, a premier 150,000 sq. ft. office building. Ducat Place II has been leased to a number of leading international companies, including Motorola, Conoco, Lukoil-Arco and Morgan Stanley. The third phase, Ducat Place III, is planned as a 350,000 sq. ft. mixed-use complex, with construction set to begin in 1999.

"The formation of Western Realty with Apollo will allow us to significantly expand our real estate business in Russia, where we are already very well positioned," said Bennett S. LeBow, Chairman and CEO of Brooke Group and New Valley. LeBow added, "Ducat Place is the leading western-style commercial complex in Moscow, with a host of blue-chip tenants, and we believe that Ducat Place III has even greater potential."

"We are pleased to be working with New Valley - which has developed some of Moscow's finest existing properties - and we are confident that we will find many exciting future opportunities together," said Lee Neibart, a principal of Apollo.

Western Realty will seek to make additional real estate and other investments in Russia. New Valley and Apollo have agreed to invest, through Western Realty or another entity, up to $25 million in the aggregate for the potential development of a real estate project in Moscow. In addition, Western Realty has agreed to invest $20 million for a 30% interest in a company organized by Brooke (Overseas) Ltd., a wholly-owned subsidiary of Brooke Group, which will, among other things, acquire an interest in

an industrial site and manufacturing facility being constructed on the outskirts of Moscow by a subsidiary of Brooke (Overseas) Ltd.

Brooke Group is a holding company which owns Liggett Group Inc. and Liggett-Ducat Ltd. and holds 42% of the voting power in New Valley. New Valley is principally engaged in investment banking and brokerage through Ladenburg, Thalmann & Co. Inc., in real estate development in Russia through BrookeMil, and in ownership and management of commercial real estate through its New Valley Realty division.

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EXHIBIT 99.2

PRESS RELEASE

BROOKE GROUP REACHES AGREEMENT WITH APOLLO HOLDERS OF BGLS NOTES

Miami, FL, March 3, 1998 -- Brooke Group Ltd. (NYSE: BGL) announced today that its wholly-owned subsidiary, BGLS Inc., has entered into an agreement with AIF II, L.P. and an affiliated investment manager on behalf of a managed account (the "Apollo Holders"), who hold approximately 41.8% of the $232,864,000 principal amount of BGLS' 15.75% Senior Secured Notes due 2001. BGLS has made the interest payment due on January 31, 1998 to all holders of the BGLS Notes other than the Apollo Holders.

Pursuant to the terms of the agreement, the Apollo Holders have agreed to defer the payment of interest on the BGLS Notes held by them, commencing with the interest payment that was due July 31, 1997, which they had previously agreed to defer, through the interest payment due on July 31, 2000. The deferred interest payments will be payable at final maturity of the BGLS Notes on January 31, 2001 or upon an Event of Default under the Indenture for the BGLS Notes. In connection with the agreement, Brooke Group issued to the Apollo Holders a five-year warrant to purchase 2,000,000 shares of Brooke Group common stock at a price of $5.00 per share. The Apollo Holders were also issued a second warrant expiring October 31, 2004 to purchase an additional 2,150,000 shares of Brooke Group common stock at a price of $0.10 per share. The second warrant will become exercisable on October 31, 1999, and Brooke Group will have the right under certain conditions prior to that date to substitute for that warrant a new warrant for 9.9% of the common stock of Liggett Group Inc.

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