FORM 8-K/A

Current report filing [amend]

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FILER

NEW VALLEY CORP

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SIC: **6500** Real estate

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(AMENDMENT NO.1)

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

Date of Report (Date of earliest event reported): DECEMBER 29, 2000

NEW VALLEY CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation)

1-2493	13-5482050
(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

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

New Valley Corporation hereby amends the following items, financial statements, exhibits or other portions of its Current Report on Form 8-K, originally filed with the Securities and Exchange Commission on January 16, 2001 reporting the acquisition by a subsidiary of New Valley of additional Class A Interests in Western Realty Development LLC, as set forth in the pages attached hereto.

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

(a) Financial Statements of Businesses Acquired.

See Item 7(c) below.

(b) Pro Forma Financial Information.

The Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 1999 and the nine months ended September 30, 2000 have been prepared giving effect to the purchase by a subsidiary of New Valley of 29/30ths of the Class A interests in Western Realty Development of Apollo Real Estate Fund III, L.P., the sale of New Valley's five shopping centers in August 1999, the recapitalization of the New Valley's capital stock which occurred on June 4, 1999, and the sale by Thinking Machines, New Valley's 73%-owned subsidiary, of its Darwin(R) software and services business which occurred on June 2, 1999. The Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2000 has been prepared giving effect to the purchase of 29/30ths of the Class A interests in Western Realty Development. The pro forma financial information should be read in conjunction with New Valley's historical Consolidated Financial Statements and the related notes thereto contained in New

Valley's Annual Report on Form 10-K for the year ended December 31, 1999 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

The Pro Forma Condensed Consolidated Statements of Operations were prepared as if the purchase of 29/30ths of the Class A interest in Western Realty Development, the sale of the shopping centers, the recapitalization, and the Thinking Machines sale had occurred at the beginning of the period presented. The Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2000 was prepared as if the purchase of 29/30ths of the Class A interests in Western Realty Development had occurred on September 30, 2000.

As a result of the purchase of the Class A interests, New Valley and its subsidiaries will be entitled to 99% of distributions from Western Realty Development and Apollo will be entitled to 1% of distributions. Accordingly, New Valley will no longer account for its interests in Western Realty Development using the equity method of accounting. Effective December 29, 2000, Western Realty Development became a consolidated subsidiary of New Valley.

The pro forma financial information does not purport to show the results, which would actually have occurred had such transactions been completed as of the date and for the period presented or which may occur in the future.

NEW VALLEY CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1999					
		PRO FORMA ADJUSTMENTS				
	HISTORICAL	THINKING MACHINES SALE (a)	RECAPITALIZATION (b)	SHOPPING CENTERS SALE (c)	WRD ACQUISITION(d)	PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Principal transactions, net........	$ 19,722					$ 19,722
Commissions........................	38,815					38,815
Corporate finance fees............	8,340					8,340
Gain on sale of investments, net...	2,373					2,373
Loss in joint venture.............	(16,513)				$ 16,513	--
Real estate leasing...............	7,056			$ (3,618)	11,537	14,975
Gain on sale of real estate........	3,828			(3,828)		--
Computer sales and service.........	317	$ (317)				--
Interest and dividends............	5,812				6,858	12,670
Gain on sale of assets............	4,028	(3,801)				227
Gain on sale of subsidiary stock...	4,256					4,256
Other income......................	5,571					5,571
Total revenues............	83,605	(4,118)		(7,446)	34,908	106,949
Costs and expenses:						
Selling, general and administrative	99,627	(3,265)		(2,568)	12,903	106,697
Interest..........................	8,954	(206)		(1,979)	10,719	17,488
Real estate impairment charge	--	--		--	11,561	11,561
Total costs and expenses...	108,581	(3,471)		(4,547)	35,183	135,746
Loss from continuing operations before income taxes and minority interests	(24,976)	(647)		(2,899)	(275)	(28,797)
Income tax provision................	80					80
Minority interests in income from continuing operations of consolidated subsidiaries......................	667	(308)			2	361
Loss from continuing operations......	(25,723)	(339)		(2,899)	(277)	(29,238)
Discontinued operations:						
Gain on disposal of discontinued operations......................	4,100	--		--	--	4,100
Income from discontinued						

operations	4,100	--		--	--	4,100
Net loss	(21,623)	(339)		(2,899)	(277)	
Dividend requirements on preferred shares	(37,759)	--	$ 37,759	--	--	--
Net loss applicable to Common Shares	$ (59,382)	$ (339)	$ 37,759	$ (2,899)	$ (277)	$ (25,138)
Income (loss) per Common Share (basic and diluted):						
Continuing operations	$ (3.65)					$ (1.26)
Discontinued operations	.24					.18
Net loss per Common Share	$ (3.41)					$ (1.08)
Number of shares used in computation	17,433,105		$5,801,945			23,235,050

</TABLE>

(a) To eliminate the operations of Thinking Machines.

(b) To adjust for the conversion of outstanding Preferred Shares and Common Shares to new Common Shares and Warrants.

(c) To eliminate the operations of the five shopping centers and the gain on sale.

(d) To account for New Valley's purchase of 29/30ths of the Class A interests in Western Realty Development.

NEW VALLEY CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000		
		PRO FORMA ADJUSTMENTS	
	HISTORICAL	WRD ACQUISITION(a)	PRO FORMA
<S>	<C>	<C>	<C>
Revenues:			
Principal transactions, net	$ 20,770		$ 20,770
Commissions	28,061		28,061
Corporate finance fees	12,774		12,774
Gain on sale of investments, net	6,299		6,299
Income from joint venture	52,412	$ (52,412)	--
Real estate leasing	2,369	7,558	9,927
Interest and dividends	5,641	3,460	9,101
Gain on sale of assets	150		150
Gain on sale of WTI	--	84,417	84,417
Other income	448		448
Total revenues	128,924	43,023	171,947
Cost and expenses:			
Selling, general and administrative	77,816	5,163	82,979
Interest	5,449	37,182	42,631
Total costs and expenses	83,265	42,345	125,610
Income from continuing operations before income taxes and minority interests	45,659	678	46,337
Income tax provision	2		2
Minority interests in income from continuing operations of consolidated subsidiaries	835	886	1,721

Net income	$ 44,822	$ (208)	$ 44,614
Income per Common Share (basic):			
Net income per Common Share	$ 1.94		$ 1.93
Number of shares used in computation	23,089,108		23,089,108
Income per Common Share (diluted):			
Net income per Common Shares	$ 1.94		$ 1.93
Number of shares used in computation	23,127,455		23,127,455

</TABLE>

(a) To account for New Valley's purchase of 29/30ths of the Class A interests in Western Realty Development.

NEW VALLEY CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 2000		
		PRO FORMA ADJUSTMENTS	
	HISTORICAL	WRD ACQUISITION(a)	PRO FORMA
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and cash equivalents	$ 68,181	$ 1,053	$ 69,234
Investment securities available for sale	45,465		45,465
Trading securities owned	12,599		12,599
Restricted assets	988		988
Receivable from clearing brokers	20,185		20,185
Other current assets	1,019	618	1,637
Total current assets	148,437	1,671	150,108
Investment in real estate, net	55,342	76,767	132,109
Furniture and equipment, net	8,093	177	8,270
Restricted assets	4,017		4,017
Long-term investments, net	6,506		6,506
Investment in joint venture	45,675	(45,675)	--
Other assets	5,305	644	5,949
Total assets	$273,375	$ 33,584	$306,959
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Margin loans payable	$ 6,195		$ 6,195
Current portion of notes payable	8,367	$ 7,233	15,600
Accounts payable and accrued liabilities	30,862	3,087	33,949
Prepetition claims and restructuring accruals	11,915		11,915
Income taxes	15,001		15,001
Securities sold, not yet purchased	4,913		4,913
Total current liabilities	77,253	10,320	87,573
Notes payable	11,236	2,681	13,917
Other long-term liabilities	47,131	20,312	67,443
Commitments and contingencies			
Stockholders' equity:			
Common Shares, $.01 par value; 100,000,000 shares authorized; 22,942,663 shares outstanding	229		229

Additional paid-in capital	868,023		868,023
Accumulated deficit	(734,817)	271	(734,546)
Unearned compensation on stock options	(72)		(72)
Accumulated other comprehensive income	4,392		4,392
Total stockholders' equity	137,755	271	138,026
Total liabilities and stockholders' equity	$273,375	$ 33,584	$306,959

</TABLE>

(a) To account for New Valley's purchase of 29/30ths of the Class A interests in Western Realty Development.

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

EXHIBIT INDEX

99.1 Consolidated Financial Statements of Western Realty Development LLC for the nine months ended September 30, 2000.

99.2 Consolidated Financial Statements of Western Realty Development LLC for the year ended December 31, 1999 and for the period February 20, 1998 (date of inception) to December 31, 1998 (incorporated by reference to Exhibit 99 to New Valley's Annual Report on Form 10-K for the year ended December 31, 1999).

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.

NEW VALLEY CORPORATION

By: /s/ J. BRYANT KIRKLAND III

J. Bryant Kirkland III
Vice President and Chief Financial Officer

Date: February 2, 2001

EXHIBIT 99.1

WESTERN REALTY DEVELOPMENT LLC

CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2000 AND DECEMBER 31, 1999 AND
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

WESTERN REALTY DEVELOPMENT LLC

CONSOLIDATED FINANCIAL STATEMENTS

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WESTERN REALTY DEVELOPMENT LLC
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	September 30, 2000 <C>	December 31, 1999 <C>
ASSETS		
Current assets:		
Cash	$ 1,053	$ 1,133
Accounts receivable, net of allowances for doubtful accounts of $627	965	1,748
Receivable from affiliate	1,568	465
Prepaid expenses and other current assets	291	211
Total current assets	3,877	3,557
Investment in real estate, net of accumulated depreciation of $5,288 and $4,067	76,767	77,988
Furniture and equipment, net of accumulated depreciation of $192 and $113	177	249
Deferred finance charges, net of accumulated amortization of $485 and $391	140	234
Goodwill, net of accumulated amortization of $7,484 and $7,224	462	722
Participating loan receivable	--	37,849
Prepaid lease commission, long-term	42	86
Total assets	$ 81,465	$ 120,685
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current portion of note payable	$ 7,233	$ 6,445
Accounts payable	568	593
Unearned revenue	1,829	2,277
Accrued interest payable	148	234
Other accrued liabilities	2,118	2,260
Due to affiliates	458	1,703
Total current liabilities	12,354	13,512
Note payable	2,682	8,211
Security deposits	799	752
Total liabilities	15,835	22,475
Commitments and contingencies	--	--
Members' equity:		
Contributed capital	51,430	109,775
Retained earnings	14,200	(11,565)
Total members' equity	65,630	98,210

Total liabilities and members' equity	$ 81,465	$ 120,685

</TABLE>

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

WESTERN REALTY DEVELOPMENT LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED SEPTEMBER 30, 2000 <C>	NINE MONTHS ENDED SEPTEMBER 30, 1999 <C>
Rental income	$ 7,558	$ 8,072
Costs and expenses:		
Operating, general and administrative expenses	3,341	5,349
Depreciation and amortization	1,655	3,232
Operating income (loss)	2,562	(509)
Other expenses (income):		
Interest expense	1,464	2,206
Accretion of income on participating loan receivable	(87,877)	(4,479)
Gain on asset disposal	--	--
Total other (income) expenses	(86,413)	(2,273)
Income (loss) before income taxes	88,975	1,764
Income tax provision	195	--
Net income (loss)	$ 88,780	$ 1,764

</TABLE>

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

WESTERN REALTY DEVELOPMENT LLC
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(DOLLARS IN THOUSANDS)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(UNAUDITED)

<TABLE>
<CAPTION>

	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>
Balance, December 31, 1999	$ 109,775	$ (11,565)	$ 98,210
Net income	--	88,780	88,780
Distributions	(62,531)	(63,015)	(125,546)
Capital contributions	4,186	--	4,186
Balance, September 30, 2000	$ 51,430	$ 14,200	$ 65,630

</TABLE>

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

WESTERN REALTY DEVELOPMENT LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED SEPTEMBER 30, 2000 <C>	NINE MONTHS ENDED SEPTEMBER 30, 1999 <C>
Net income	$ 88,780	$ 1,764
Cash flows from operating activities:		
Depreciation and amortization	1,655	3,232
Accretion of income on participating loan receivable	(87,877)	(4,479)
Gain on asset disposal	--	
Changes in assets, net	(204)	(2,504)
Changes in liabilities, net	(1,909)	912
Net cash provided from (used in) operating activities	445	(1,075)
Cash flows from investing activities:		
Capital expenditures	(8)	(1,177)
Sale of WTI	125,546	--
Net cash provided from (used in) investing activities	125,538	(1,177)
Cash flows from financing activities:		
Retirement of note payable	(4,742)	(3,548)
Advances (to) from affiliates, net	--	(381)
Capital distributions	(125,546)	--
Capital contributions	4,225	7,242
Net cash (used in) provided from financing activities	(126,063)	3,313
Net (decrease) increase in cash	(80)	1,061
Cash at beginning of period	1,133	415
Cash at end of period	$ 1,053	$ 1,476
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ --	$ 2,285
Income taxes	1,578	16

</TABLE>

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

WESTERN REALTY DEVELOPMENT LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

1. BASIS OF PRESENTATION

PRINCIPLES OF REPORTING

The consolidated financial statements as of September 30, 2000 presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of September 30, 2000 and the results of operations and cash flows for all periods presented have been made. Results for the interim periods are not necessarily indicative of the results for the entire year.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Western Realty Development LLC ("Western Realty" or the "Company") and its majority-owned subsidiaries. The consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles recognized in the U.S. and reflect the financial position, results of operations and cash flows of the Company. All significant intercompany transactions have been eliminated in consolidation.

NATURE OF OPERATIONS

Western Realty, a Delaware limited liability company, was organized in February 1998 by New Valley Corporation ("New Valley"), its subsidiary, BrookeMil Ltd. ("BrookeMil"), and Apollo Real Estate Investment Fund III, L.P. ("Apollo") to make real estate and other investments in Russia. In connection with the formation of Western Realty, New Valley and BrookeMil agreed, among other things, to contribute the real estate assets of BrookeMil, including the Ducat Place II office building in Moscow and the site for the proposed Ducat Place III office building and related goodwill, subject to a note payable to a bank collateralized by Ducat Place II, and Apollo agreed to contribute up to $40,000 to Western Realty. The transfer of net assets from BrookeMil was accounted for on a historical cost basis.

Western Realty, through a wholly-owned subsidiary, owns 99% of Western Realty LLC, a closed joint stock company in the Russian Federation. Substantially all of the Company's operations are conducted by Western Realty LLC.

ORGANIZATION

The ownership and voting interests in Western Realty are held equally by Apollo and the Company. Apollo is entitled to a preference on distributions of cash from Western Realty to the extent of its investment commitment of $43,750, of which $41,916 had been funded, $41,266 was returned in connection with the sale of Western Tobacco Investments (discussed in Note 3) and $650 was outstanding as of September 30, 2000, together with a 15% annual rate of return.

New Valley is then entitled to a return of its investment commitment of $23,750,

WESTERN REALTY DEVELOPMENT LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)
(UNAUDITED)

of which $21,916 has been funded, $21,266 was returned in connection with the sale of Western Tobacco Investments and $650 was outstanding as of September 30, 2000, together with a 15% annual rate of return; subsequent distributions are made 70% to the Company and 30% to Apollo. Western Realty is managed by a Board of Managers consisting of an equal number of representatives chosen by Apollo and the Company. Material corporate transactions by Western Realty will generally require the unanimous consent of the Board of Managers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand and in banks plus all short-term investments with a maturity, at the date of purchase, of three months or less.

REAL ESTATE

Real estate is stated at the lower of cost or fair value and is depreciated using the straight-line method over estimated useful lives of 40 years. Real estate assets under development are not depreciated until they are ready for their intended use. Western Realty depreciates furniture, fixtures and equipment using the straight-line method over estimated useful lives of 3 to 5 years.

Pre-acquisition, acquisition, development and holding costs are capitalized as real estate assets until the assets are ready for their intended use. Interest costs are capitalized during the active development phase of a project.

IMPAIRMENT OF LONG-LIVED ASSETS

An impairment loss is recognized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The estimation of fair value is generally measured by discounting expected future cash flows. The Company estimates fair value based on the best information available making estimates, judgments and projections as considered necessary.

DEFERRED FINANCING COSTS

The costs incurred in connection with certain of the Company's debt financing are included in deferred finance charges and are amortized using the straight-line method over the term of the related debt.

GOODWILL

Goodwill is amortized on a straight-line basis using a 5 year life based on management's assessment of the future value of the intangible asset. The Company evaluates the carrying values of intangible assets in the same manner that it evaluates the carrying values of real estate. Amortization expense for the nine months ended September 30, 2000 and 1999 was $260 and $1,858, respectively.

WESTERN REALTY DEVELOPMENT LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)
(UNAUDITED)

TRANSLATION METHODOLOGY

The Company's Russian subsidiary reports to the Russian authorities in rubles and its accounting records are maintained in that currency. The accompanying consolidated financial statements have been prepared in U.S. dollars. Transactions and balances of the Russian subsidiary not already measured in dollars (primarily rubles) have been remeasured into dollars in accordance with the relevant provisions of SFAS No. 52, "Foreign Currency Translation," as applied to entities in highly inflationary economies.

Under SFAS No. 52, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Translation gains and losses from remeasurement of monetary assets and liabilities that are not determined in U.S. dollars are credited or charged to the consolidated statements of operations.

The Russian economy is considered hyperinflationary. The ruble to U.S. dollar exchange rate will not necessarily reflect the relative inflation levels of the Russian and U.S. economies. Future movements in the exchange rate between the ruble and the U.S. dollar will affect the carrying value of the Company's ruble denominated monetary assets and liabilities. Such movements may also affect the Company's ability to realize non-monetary assets represented in U.S. dollars in these financial statements. Accordingly, any translation of ruble amounts to U.S. dollars should not be construed as a representation that such ruble amounts have been, could be, or will in the future be converted into U.S. dollars at the exchange rate shown or at any other exchange rate.

The exchange rate for 1 U.S. dollar ranged from 25.24 rubles at September 30, 1999, 27.00 rubles at December 31, 1999 and 27.78 rubles at September 30, 2000.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

INCOME TAXES

Western Realty has elected to be treated as a partnership for U.S. tax purposes. Thus, its U.S. operations are not subject to income taxes, as any income or loss is included in the tax returns of the individual members. The Company's Russian subsidiary is subject to Russian Federation income taxes. Deferred income taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities in these financial statements and their carrying values for Russian statutory tax purposes.

The Company is also subject to other taxes in the Russian Federation.

These taxes are included in operating, general and administrative expenses in the statements of operations.

CONCENTRATION OF CREDIT AND OTHER RISKS

The Company maintains a portion its cash deposits with Russian banks which are branch offices of large banks headquartered outside the Russian Federation. The Company assesses the financial condition of the institutions on an on-going basis.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of certain financial assets and liabilities carried at cost, including accounts receivable and payable and other current financial assets and liabilities, are considered to approximate their respective carrying values due to their short term nature. The fair value of the note payable also approximates its carrying value as management believes the interest rate approximates the interest rates of new borrowings available to the Company.

REAL ESTATE LEASING REVENUES

Ducat Place II is being leased to tenants under operating leases. Base rental revenue is generally recognized on a straight-line basis over the term of the lease. The lease agreements contain provisions which provide for reimbursement of real estate taxes and operating expenses. The future minimum rents scheduled to be received on non-cancelable operating leases at September 30, 2000 are $5,426, $4,771, $2,464, $1,484 and $240 for the years 2001, 2002, 2003 and 2004 and thereafter, respectively.

COMPARATIVE AMOUNTS

Certain amounts in the 1998 and 1999 financial statements have been reclassified to conform to the 2000 presentation.

3. PARTICIPATING LOAN

Western Realty made a $30,000 participating loan to, and payable out of a 30% profits interest in, Western Tobacco Investments LLC ("Western Tobacco Investments"), which held the interests of Brooke (Overseas) Ltd., a subsidiary of Vector Group Ltd. ("Vector"), New Valley's principal stockholder, in Liggett-Ducat Ltd. and the new factory constructed by Liggett-Ducat Ltd. on the outskirts of Moscow. As a result of the sale of Western Tobacco Investments, Western Realty was entitled to receive the return of all amounts advanced on the loan, together with a 15% annual rate of return, and 30% of subsequent distributions. Western Realty Development recognized income of $3,460 and $4,479, which represented the 15% return on the loan plus 30% of any net income applicable to common interests of Western Tobacco Investments, for the nine months ended September 30, 2000 and 1999, respectively. The loan, together with the 15% annual rate of return thereon, was repaid and terminated in connection with the sale of Western Tobacco Investments in August 2000.

On August 4, 2000, Vector completed the sale of Western Tobacco Investments to Gallaher Group Plc for $334,100 in cash and $64,400 of assumed debt and capital commitments. The cash proceeds from the transaction after estimated closing expenses were divided among Vector and Western Realty in accordance with the participating loan, which was terminated at the closing. The

WESTERN REALTY DEVELOPMENT LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)
(UNAUDITED)

Company received $125,546 in cash proceeds, of which $68,338 was distributed to Apollo and $57,208 was distributed to New Valley. These amounts are subject to adjustment based on final closing expenses. The Company recorded a gain of $84,237 in connection with the transaction for the nine months ended September 30, 2000.

4. INVESTMENT IN REAL ESTATE AND NOTE PAYABLE

The components of the Company's investment in real estate and the related note payable collateralized by such real estate at September 30, 2000 and December 31, 1999 are as follows:

<TABLE>
<CAPTION>

<S>	SEPTEMBER 30, 2000 <C>	DECEMBER 31, 1999 <C>
Land...	$ 16,920	$16,920
Buildings......................................	65,135	65,135
Total......................................	82,055	82,055
Less accumulated depreciation..................	(5,288)	(4,067)
Net investment in real estate..............	$ 76,767	$ 77,988
Note payable...................................	$ 9,915	$ 14,656
Less: current portion of note payable..........	7,233	6,445
Note payable - long-term portion...............	$ 2,682	$ 8,211

</TABLE>

In 1999, the Company evaluated the recoverability of its long-lived assets in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" and determined a permanent impairment had occurred. The Company valued its investment in real estate based on an appraisal conducted by an independent third party in December 1999. As a result of this valuation, the Company recorded an impairment charge for the year ended December 31, 1999 of $11,561 associated with its investment in the site for the proposed Ducat Place III office building and related goodwill. The fair value was determined based on current market conditions and anticipated future discounted cash flows at a rate commensurate with the risk involved. Management has concluded that the site for the Ducat Place III office building had a fair value of $16,000 at December 31, 1999.

Depreciation expense for the nine months ended September 30, 2000 and 1999 was $1,221 and $1,262, respectively.

Western Realty's credit facility bears interest at 16% per year, matures no later than August 2002, with principal payments commencing after the first year, and is collateralized by a mortgage on Ducat Place II and guaranteed by New Valley. At September 30, 2000 and December 31, 1999, borrowings under the new credit agreement totaled $9,914 and $14,656, respectively.

Remaining required principal payments on the note payable are $1,727 in 2000, $7,513 in 2001 and $674 in 2002.

5. INCOME TAXES

The full amount of tax provision in 2000 and 1998 relates to current income tax expense. There was no income tax provision in 1999 as the Company's Russian subsidiary sustained statutory losses during the year.

The Company can use the Russian tax loss carry forwards for five years after the year when the loss was incurred. The relief available is limited to 20% of the tax loss carry forwards in each of the five years, not to exceed 50% of taxable profit in any given year. The Company has recorded a valuation allowance for the entire amount of the net deferred tax asset at September 30, 2000 and December 31, 1999 due to the uncertainty of ultimate realization of future benefits of such assets.

6. EMPLOYEE BENEFITS

The Company complies with Russian Federation regulations covering pensions, education, day care, medical and other benefits to employees. These items are funded as a percentage of gross wages and are paid on a current basis.

7. COMMITMENTS AND CONTINGENCIES

CONDUCTING BUSINESS IN RUSSIA

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

The Russian Federation's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of international lending organizations, and other actions, including regulatory and political developments, which are beyond the Company's control.

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

TAXATION

Russian taxation is subject to varying interpretations and constant changes. Furthermore, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant.

WESTERN REALTY DEVELOPMENT LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS)
(UNAUDITED)

Management regularly reviews the Company's taxation compliance with applicable legislation, laws and decrees and current interpretations and from time to time potential exposures are identified. At any point in time a number of open matters may exist, however, management believes that adequate provision has been made for all material liabilities. Tax years remain open to review by the authorities for three years.

8. RELATED PARTY TRANSACTIONS

BOL is a wholly-owned subsidiary of Vector, which owns approximately 56.1% of the common shares of New Valley. During 1998, New Valley and its subsidiaries made advances to Western Realty to fund its operations. The net amount of outstanding advances at September 30, 2000 and December 31, 1999 was $1,238 and $1,141, respectively.

In May 1999, Western Realty purchased the remaining 48% of a site of land that BrookeMil did not own. Western Realty transferred the shares to BrookeMil in exchange for a note receivable, which represented the amount of the purchase price that Western Realty funded. The amount of the note ($316) was included in net advances from New Valley and its subsidiaries above at December 31, 1999. The note was repaid in 2000.