

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

Filing Date: **1998-07-22**
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FILER

BROOKE GROUP LTD

CIK: **59440** | IRS No.: **510255124** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **S-8** | Act: **33** | File No.: **333-59615** | Film No.: **98669896**
SIC: **2111** Cigarettes

Business Address
*100 S E SECOND ST
MIAMI FL 33131
3055798000*

REGISTRATION NO. 333-

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BROOKE GROUP LTD.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

| | | | | | |
|-----|----------|-----|---|-----|--|
| <S> | DELAWARE | <C> | 100 S. E. SECOND STREET MIAMI, FLORIDA 33131 (305) 579-8000 | <C> | 51-0255124 (I.R.S. EMPLOYER IDENTIFICATION NUMBER) |
|-----|----------|-----|---|-----|--|

(ADDRESS, INCLUDING ZIP CODE, AND
TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S PRINCIPAL EXECUTIVE
OFFICES)

CONSULTING AGREEMENT
BETWEEN THE
REGISTRANT AND J. SAUTER ENTERPRISES, INC.
(FULL TITLE OF THE PLAN)

MARC N. BELL, ESQ.
VICE PRESIDENT AND
GENERAL COUNSEL
BROOKE GROUP LTD.
100 S.E. SECOND STREET
MIAMI, FLORIDA 33131
(305) 579-8000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

CALCULATION OF REGISTRATION FEE

<TABLE>

<CAPTION>

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PROPOSED PROPOSED

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | AMOUNT TO BE REGISTERED | MAXIMUM OFFERING PRICE PER SECURITY (1) | MAXIMUM AGGREGATE OFFERING PRICE (1) | AMOUNT OF REGISTRATION FEE |
|---|-------------------------------|---|--|----------------------------------|
| <S> COMMON STOCK, PAR VALUE \$.10 PER SHARE | <C> 250,000 (2) | <C> \$9.875 | <C> \$2,468,750 | <C> \$728.28 |

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(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h)(1) under the Securities Act of 1933, based upon the average high and low exercise prices for the Company's Common Stock on the New York Stock Exchange consolidated reporting system on July 21, 1998.

(2) This Registration Statement also relates to such indeterminate number of additional shares of Common Stock of the Registrant as may be issuable as a result of stock splits, stock dividends, recapitalizations, mergers, reorganizations, combinations or exchange of shares or other similar events.

This Registration Statement shall become effective upon filing with the SEC in accordance with Section 8(a) of the Securities Act of 1933, as amended, and Rule 462 promulgated thereunder.

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PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.

Not required to be filed with the Securities and Exchange Commission (the "SEC").

Item 2. Registrant Information and Employee Plan Annual Information.

Not required to be filed with the SEC.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed or to be filed by Brooke Group Ltd. (the "Registrant") with the SEC (File No. 1-5759) are incorporated herein by reference:

1. The Registrant's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1997.
2. The Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
3. All other reports filed by the Registrant pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") since the end of the fiscal year covered by the document referred to in (1) above.
4. The description of the Registrant's Common Stock to be offered contained in the Registrant's Registration Statement on Form S-3 (No. 333-45377), including all amendments and reports filed for the purpose of updating such descriptions.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

Any statements contained in this Registration Statement, or in a document incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not Applicable.

Item 5. Interests of Named Experts and Counsel.

The validity of the shares of the Registrant's Common Stock to be offered hereby is being passed upon for the Registrant by Marc N. Bell, Esq., Vice President and General Counsel of the Registrant. Mr. Bell has an outstanding option to purchase 66,668 shares of the Registrant's Common Stock at an exercise price of \$5.00 per share.

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Item 6. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law and Article VI of the Registrant's By-Laws provide for indemnification of the Registrant's directors and officers in a variety of circumstances, which may include liabilities under the Securities Act of 1933.

Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of a director of a corporation to the corporation or to any of its stockholders for monetary damage for a

breach of his fiduciary duty as a director, except in the case where the director (i) breaches his duty of loyalty, (ii) fails to act in good faith, engages in intentional misconduct or knowingly violates a law, (iii) authorized the payment of a dividend or approves a stock repurchase in violation of the Delaware General Corporate Law or (iv) obtains an improper personal benefit. Article Ninth of the Registrant's Restated Certificate of Incorporation, as amended, includes a provision which eliminates directors' personal liability to the full extent permitted under the Delaware General Corporation Law, as the same exists or may hereafter be amended.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

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| (a) | EXHIBIT NO. --- | DESCRIPTION ----- |
|-----|-----------------------|--|
| <S> | <C> 4.1 | <C> Consulting Agreement, dated as of May 1, 1998, between the Registrant and J. Sauter Enterprises, Inc. |
| | 5.1 | Opinion of Marc N. Bell, Esq. |
| | 23.1 | Consent of PricewaterhouseCoopers LLP |
| | 23.2 | Consent of Arthur Andersen LLP. |
| | 23.3 | Consent of Marc N. Bell, Esq. (included in Exhibit 5.1). |
| | 24.1 | Power of Attorney (included in the signature page hereof). |

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Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end

of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; provided, however, that paragraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to any provision or arrangement whereby the Registrant may indemnify any such directors, officers or controlling persons against such liabilities, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration

Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, and State of Florida, on the 22nd day of July, 1998.

BROOKE GROUP LTD.

By: /s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President, Chief Financial
Officer and Treasurer

Each person whose signature appears below hereby authorizes Richard J. Lampen, Joselynn D. Van Siclen and Marc N. Bell, and each of them individually (the "Agent"), with full power of substitution and resubstitution, to file one or more amendments (including post-effective amendments) to the Registration Statement which amendments may make such changes in the Registration Statement as such Agent deems appropriate and each such person hereby appoints each such Agent as attorney-in-fact to execute in the name and on behalf of each such person, individually and in each capacity stated below, any such amendments to the Registration Statement.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on July 22, 1998.

/s/ Bennett S. LeBow

Bennett S. LeBow
Chairman of the Board of
Directors, President and
Chief Executive Officer
(Principal Executive Officer)

/s/ Joselynn D. Van Siclen

Joselynn D. Van Siclen
Vice President, Chief Financial
Officer and Treasurer (Principal
Financial Officer and Principal
Accounting Officer)

/s/ Robert J. Eide

Robert J. Eide
Director

/s/ Jeffrey S. Podell

Jeffrey S. Podell
Director

/s/ Jean E. Sharpe

Jean E. Sharpe
Director

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (this "Agreement") is entered into as of May 1, 1998 by and between Brooke Group Ltd., a Delaware corporation (the "Company"), and J. Sauter Enterprises, Inc., a Florida corporation (the "Consultant").

RECITALS:

WHEREAS, the Company, from time to time, may require certain services, and the Consultant is able and willing to provide such services under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, the parties mutually agree as follows:

TERMS:

1. Consulting Period. From the date of this Agreement until April 30, 2004 (the "Consulting Period"), the Company agrees to retain the Consultant to act as a consultant to the Company and the Consultant agrees to accept such engagement and to provide consulting services to the Company, upon the terms and subject to the conditions set forth herein.

2. Consulting Fee. In consideration of the Consultant's services and other obligations hereunder, the Company shall pay the Consultant twenty-four (24) quarterly payments of \$94,000 each or such greater or lesser amount which, when taxed at the highest individual marginal federal income tax rate, will yield to Consultant's shareholder(s) \$57,500 after payment of such taxes with respect to such amount (each a "Quarterly Payment") (the aggregate of all Quarterly Payments is hereafter referred to as the "Consulting Fee"), payable on the first business day of February, May, August and November in each year, commencing May 1, 1998. The Company may pre-pay any or all such Quarterly Payments, at any time and from time to time, at a discount rate of ten (10%) percent per annum. Any payments which are not paid when due shall bear interest at the rate of ten (10%) per annum until paid.

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- (a) At the Company's option, the Company may make any Quarterly Payment in the form of shares of Company common stock (or such other marketable security as the Company may reasonably determine) (the "Tendered Securities") valued for this purpose (subject to the provisions set forth below) at the closing price on the trading day preceding any Quarterly Payment due

date. Such shares will be fully paid and non-assessable and will be listed on any securities exchange on which the common stock is then listed and will, when delivered to you, be fully registered under an effective Registration Statement under the Securities Act of 1933, as amended.

- (b) Upon receipt of Tendered Securities, the Consultant may liquidate such Tendered Securities in a commercially reasonable manner within ten (10) days after receipt. If they are so liquidated, the Consultant shall provide the Company with an accounting within ten (10) days from the last trade date of Tendered Securities, relevant to each Quarterly Payment. If they are so liquidated, the proceeds from such sale and any dividends or other distributions received on the shares, less any reasonable and customary brokerage fees paid in connection with such sale ("Net Proceeds"), shall equal the amount of the Quarterly Payment. The negative difference between the amount of a Quarterly Payment due and the Net Proceeds (if any) shall be paid by the Company within two (2) business days of receipt of the accounting. The positive difference between the amount of a Quarterly Payment due and the Net Proceeds (if any) shall be a credit against the next Quarterly Payment. If there is a positive difference after the last Quarterly Payment, then the Consultant will refund the difference to the Company with the final accounting.
- (c) If the Company elects to make any Quarterly Payment in Tendered Securities, the Tendered Securities will be delivered to an account which the Consultant designates, in writing, prior to any pay date. The Tendered Securities will be registered under the Securities Act of 1933 (the "Act"),

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and so long as the Consultant does not become an affiliate of the Company, within the meaning of Rule 405 of the Act, the Tendered Securities may be resold by it without registration under the Act.

3. Duties and Responsibilities. The Consultant agrees to be available during the Consulting Period for such consultation and advice concerning the business and affairs of the Company and its affiliates as may be reasonably requested by the executive officers of the Company from time to time

subject to the availability of the Consultant. Any failure of the Company to request such services shall not terminate this Agreement or alter, change, or diminish the obligations of the Company to the Consultant hereunder. The Consultant is an independent contractor of the Company and is not an employee or agent of the Company nor entitled to any benefits, privileges or reimbursements given or extended by the Company to its employees.

4. Restrictive Covenant. In consideration of the foregoing, the Consultant agrees that from the date of this Agreement until April 30, 2004, for any reason, the Consultant (including its officers, directors and shareholders) shall not, directly or indirectly, engage in any business which competes with the Company's existing business (the "Business") in any county in any state in which the Company or any of its direct or indirect subsidiaries (collectively, the "Companies") conducts Business during the Consulting Period; provided, however, that, the beneficial ownership of less than five percent of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or over-the-counter market shall not be deemed, in and of itself, to violate the prohibitions of this Section.

5. Confidentiality. The Consultant agrees that at all times during and after the Consulting Period, the Consultant shall: (a) hold in confidence and refrain from disclosing to any other party all information of a private, proprietary or confidential nature, of or concerning the Companies and their business ("Confidential Information"); (b) use the Confidential Information solely in connection with its consulting relationship with the Companies and for no other purpose; (c) take all precautions reasonably necessary to ensure that the Confidential Information shall not be shown, copied or disclosed to third parties, without the prior written consent of the

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Company; and (d) observe all security policies implemented by the Companies from time to time with respect to the Confidential Information. In the event that the Consultant is ordered to disclose any Confidential Information, whether in a legal or regulatory proceeding or otherwise, the Consultant shall provide the Secretary of the Company with prompt notice of such request or order so that the Companies may seek to prevent disclosure in the case of any disclosure, the Consultant shall disclose only that portion of the Confidential Information that it is ordered or directed to disclose. Confidential Information shall not include any information generally available in the public domain prior to disclosure thereof.

6. Acknowledgments of the Parties. The parties agree and acknowledge that the restrictions contained in Sections 4 and 5 are reasonable in scope and duration and are necessary to protect the Companies. If any provision of Sections 4 or 5 as applied to any party or to any circumstance is adjudged by a court of competent jurisdiction to be invalid or unenforceable, the same shall in no way affect any other circumstance or the validity or enforceability of any other provisions of this Agreement. If any such provision,

or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form such provision shall then be enforceable and shall be enforced.

7. Release. The Consultant hereby releases and forever discharges the Company, New Valley Corporation and their respective officers, directors and affiliates (collectively, the "Released Parties") from any and all actions, causes of actions, contracts, claims and demands (collectively, "Actions"), which the Consultant and its officers, directors and shareholders had or now have or may have against the Released Parties for any matter arising through the date hereof, including, but not limited to, claims based on the Age Discrimination in Employment Act of 1967 (including the Older Workers Benefit Protection Act), the Employee Retirement Income Security Act of 1974, the Florida Civil Rights Act of 1992, the Dade County Equal Opportunity Ordinance, or any common law, public policy, contract (whether oral or written, express or implied) or tort law, and any other local, state or federal law, regulation or ordinance having any bearing whatsoever on the terms and conditions of the Consultant's employment. The foregoing

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release shall not affect the Company's obligations pursuant to this Agreement.

8. Indemnification. The Consultant will be indemnified by the relevant company to the fullest extent permitted by law for any liability or claim asserted or made against the Consultant to the extent based upon the Consultant serving as an officer, director, employee or consultant of the Company, New Valley Corporation or any affiliate thereof.

9. Termination. The Consultant's services under this Agreement shall terminate upon the completion of the Consulting Period, unless further extended by mutual agreement of the parties.

10. Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be deemed to have been effectively given when delivered personally, when dispatched by electronic facsimile transmission (with receipt thereof electronically confirmed) or one day after having been sent by guaranteed overnight delivery to the parties at the following addresses (or such other address for a party as shall be specified by like notice):

To the Company:

Marc N. Bell, Esq.
Brooke Group Ltd.
100 S.E. 2nd Street - 32nd Fl.
Miami, Florida 33131

(305) 579-8000
Fax: (305) 579-8016

To the Consultant:

Gerald E. Sauter, President
J. Sauter Enterprises, Inc.
16900 S.W. 82nd Avenue
Miami, Florida 33157
(305) 378-4591
Fax: (305) 254-6874

11. Amendment; Waiver. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by the parties.

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12. Assignment. This Agreement, and the Consultant's rights and obligations hereunder, may not be assigned by it. The Company may assign its rights, together with its obligations hereunder, to any successor thereto, provided any such assignee acknowledges its assumption of all such rights and obligations.

13. Severability; Survival. In the event that any provision of this Agreement is found to be void and unenforceable by a court of competent jurisdiction, then such unenforceable provision shall be deemed modified so as to be enforceable (or if not subject to modification then eliminated herefrom) for the purpose of those procedures to the extent necessary to permit the remaining provisions to be enforced.

14. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

15. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Florida applicable to contracts executed and to be wholly performed within such state. Any action under this Agreement shall be brought in a court of competent jurisdiction located in Miami-Dade County, Florida.

16. Agency. Nothing herein shall imply or shall be deemed to imply an agency relationship between the Consultant and the Company.

17. Entire Agreement; Authority. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings (oral or written) between the parties with respect to such subject matter. Each signator represents that this Agreement constitutes a valid and binding agreement on it and that each is

fully authorized to execute and deliver this Agreement.

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

BROOKE GROUP LTD.

By: /s/ Bennett S. LeBow

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

J. SAUTER ENTERPRISES, INC.

By: /s/ Gerald E. Sauter

Name: Gerald E. Sauter
Title: President

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July 22, 1998

Brooke Group Ltd.
100 S.E. Second Street, 32nd Floor
Miami, Florida 33131

RE: OFFERING OF SHARES PURSUANT TO
REGISTRATION STATEMENT ON FORM S-8

Gentlemen:

I have acted as counsel to Brooke Group Ltd., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission under the Securities Act of 1933, as amended, of a Registration Statement on Form S-8 (the "Registration Statement") relating to the registration by the Company of 250,000 shares of the Company's Common Stock, \$.10 par value per share (the "Shares"), issuable from time to time pursuant to a Consulting Agreement, dated as of May 1, 1998, between, the Company and J. Sauter Enterprises, Inc. (the "Consulting Agreement").

In so acting, I have examined originals, or copies certified or otherwise identified to my satisfaction, of (a) the Restated Certificate of Incorporation, as amended, and Amended and Restated By-Laws of the Company as currently in effect, (b) the Registration Statement, (c) the Consulting Agreement pursuant to which the Shares will be issued, which agreement is included as an exhibit to the Registration Statement, (d) certain resolutions adopted by the Board of Directors of the Company, and (e) such other documents, records, certificates and other instruments of the Company as in my judgment are necessary or appropriate for purposes of this opinion.

Based on the foregoing, I am of the following opinion:

1. The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware.

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Brooke Group Ltd.
July 22, 1998
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2. The Shares have been duly authorized by the Company and, when issued pursuant to the Consulting Agreement, will be duly and validly issued and will be fully paid and non-assessable.

I hereby consent to the filing of this opinion as Exhibit 5.1 to the
Registration Statement.

Very truly yours,

/s/ MARC N. BELL

MARC N. BELL
Vice President, General Counsel
and Secretary

MNB/smg

Enclosure

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Brooke Group Ltd. on Form S-8 of: (i) our report, dated April 8, 1998, on our audits of the consolidated financial statements and financial statement schedule of Brooke Group Ltd. and Subsidiaries as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996, and 1995, and (ii) our report, dated March 31, 1998, on our audits of the consolidated financial statements and financial statement schedule of New Valley Corporation and Subsidiaries as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996, and 1995, which reports are incorporated by reference in the Annual Report on Form 10-K/A No. 2 of Brooke Group Ltd. for the fiscal year ended December 31, 1997, as filed with the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934.

PricewaterhouseCoopers LLP

Miami, Florida
July 22, 1998

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Brooke Group Ltd.

As independent public accountants, we consent to the incorporation by reference of our report dated January 23, 1998 in the registration statement on Form S-8 of Brooke Group Ltd., relating to the consolidated balance sheets of Thinking Machines Corporation and subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 1997 and the period from February 8, 1996 (inception) to December 31, 1996, which report appears in the December 31, 1997 annual report on Form 10-K, as amended, of New Valley Corporation.

Arthur Andersen LLP

Boston, Massachusetts
July 22, 1998