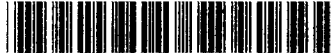


03-15-2001

Client Code: BTTOB.029GEN



SHEET

101637147

TO THE ASSISTANT COMMISSIONER OF PATENTS AND TRADEMARKS: Please record the attached original documents or copy thereof.

3-15-01

1. Name of conveying party(ies): (If multiple assignors, list numerically)

(1) Vector Tobacco (USA) Ltd., a Delaware corporation
Address: 700 West Main Street
Durham, North Carolina 27701

(2) Vector Tobacco Ltd., a Bermuda Liability Company
Address: Clarendon House
2 Church Street
Hamilton, HMCX, Bermuda

Additional name(s) of conveying party(ies) attached?
() Yes (X) No

2. Name and address of receiving party(ies):

(1) **Name:** BGLS Inc., a Delaware corporation
Internal Address: 32nd Floor
Street Address: 100 S.E. 2nd Street
City: Miami **State:** Florida **ZIP:** 33131

(2) **Name:** Vector Group Ltd., a Delaware corporation
Internal Address: 32nd Floor
Street Address: 100 S.E. 2nd Street
City: Miami **State:** Florida **ZIP:** 33131

If assignee is not domiciled in the United States, a domestic representative designation is attached: () Yes (X) No

(Designations must be a separate document from Assignment)
Additional name(s) and address(es) attached?
() Yes (X) No

3. Nature of conveyance:

- () Assignment
- () Merger
- (X) Security Agreement
- () Change of Name
- () Other:

Execution Date: (If multiple assignors, list execution dates in numerical order corresponding to numbers indicated in 1 above)

- (1) March 6, 2001
- (2) March 6, 2001

4. Application number(s) or registration number(s):

- a. Trademark Application No(s):
- b. Trademark Registration No(s):
Reg. No.: 1,159,377
Reg. No.: 1,863,307

Additional numbers attached? () Yes (X) No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Lori Lee Yamato
KNOBBE, MARTENS, OLSON & BEAR, LLP
Customer No. 20,995
Internal Address: Sixteenth Floor
Street Address: 620 Newport Center Drive
City: Newport Beach **State:** CA **ZIP:** 92660
Attorney's Docket No.: BTTOB.029GEN

7. Total fee (37 CFR 3.41): \$65.00

(X) Enclosed

8. Deposit account number: 11-1410

Please charge this account for any additional fees which may be required, or credit any overpayment to this account.

RECEIVED
2001 MAR 15 PM 2:07
ASSIGNMENT DIVISION

65E

6. Total number of applications and registrations involved:
2

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct, and any attached copy is a true copy of the original document.

Lori Lee Yamato
Name of Person Signing

Signature

March 12, 2001
Date

Total number of pages including cover sheet, attachments and document: 13

Mail documents to be recorded with required cover sheet information to:

U.S. Patent and Trademark Office
Attention: Assignment Division
Crystal Gateway-4
1213 Jefferson Davis Highway, Suite 320
Arlington, VA 22202.

H:\DOCS\LLY\LLY-3297.DOC\JP031201

TRADEMARK
REEL: 002252 FRAME: 0078

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SECURITY AGREEMENT IN INTELLECTUAL PROPERTY

FOR VALUE RECEIVED, the receipt of which is hereby acknowledged, the undersigned **VECTOR TOBACCO (USA) LTD.**, a Delaware corporation, having a principal place of business at 700 West Main Street, Durham, North Carolina 27701 and **VECTOR TOBACCO LTD**, a Bermuda Liability Company, having its principal place of business at Clarendon House, 2 Church Street, Hamilton, HMCX, Bermuda (hereinafter referred to collectively as "**Borrowers**"), hereby grant a security interest to **BGLS INC.** and **VECTOR GROUP LTD.**, both Delaware corporations having addresses at 100 S.E. 2nd Street, 32nd Floor, Miami, Florida 33131 (hereinafter referred to collectively as "**Lender**"), identified in that certain Credit Agreement as Borrowers and Lender respectively and dated as of March 6, 2001 (the "**Credit Agreement**"), in the Borrowers' entire present and future rights, title and interest in and to (i) the patents, copyrights, service marks and/or trademarks, logos, taglines, and any applications thereof listed on **Exhibit "A"** attached hereto and incorporated herein, and (ii) any other patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications herein which Borrowers shall hereinafter acquire, and all inventions and work in process relating to the development of any device, formula, process or program being developed by or for the Borrowers for use in its business, and (iii) all associated trade secrets and other confidential information and know-how, in each case including without limitation all proceeds thereof (such as, by way of example, license royalties and proceeds of infringement or misappropriations and all rights corresponding thereto throughout the world, and the goodwill of the business to which such property relates), (iv) the sublicense agreement listed in **Exhibit "A"**, and (v) all other intellectual property of the Borrowers of any kind or form whatsoever (all of aforesaid intellectual property set forth in (i) through (v) hereinafter referred to as the "**Pledged Property**"), which shall be used as security for the payment when due whether by declaration, acceleration or otherwise of the principal of, accrued interest on, and all the obligations of the Borrowers under the Credit Agreement and of any and all future promissory notes, loans or other forms of indebtedness or obligations of the Borrowers in favor of the Lender (hereinafter referred to collectively as, the "**Obligations**"). All terms not specifically defined herein shall have the meaning set forth in the Credit Agreement. The Lender shall have all rights granted in any Loan Document and the rights granted by Borrowers herein are granted pursuant to the Credit Agreement.

1. The Borrowers covenant and warrant that:

- (a) Each of the patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, sublicenses and/or applications constituting a part of the Pledged Property is subsisting and has not been adjudged invalid or unenforceable;
- (b) To the best of the Borrowers' knowledge, all patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property are valid and enforceable;

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- (c) No claim has been made that the use of any patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property does, or may, violate the rights of any third person;
- (d) Except as provided herein, the Borrowers are the sole and exclusive owners of the entire right, title and interest in and to all of the patents, copyrights, trademarks, trade secrets, confidential information, know-how, service marks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property;
- (e) The Borrowers have the unqualified rights to enter into this Security Agreement and perform its terms;
- (f) The Borrowers have used, and shall continue to use for the duration of this Agreement, proper statutory notice in connection with their use of the Pledged Property; and
- (g) The Borrowers have used, and shall continue to use for the duration of this Agreement, consistent standards of quality in their manufacture of products sold under any trademarks or service marks constituting part of the Pledged Property.

2. The Borrowers hereby grant to the Lender and its employees and agents the rights to visit the Borrowers' plants and facilities which manufacture, inspect or store products sold under any of the trademarks or service marks constituting a part of the Pledged Property, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours. The Borrowers shall do any and all acts required by the Lender to ensure the Borrowers' compliance with Section 1(g) above.

3. The Borrowers agree that, until all of the Obligations shall have been satisfied in full and the Loan Documents have been terminated in writing, they shall not enter into any agreement (for example, a license agreement) which is inconsistent with the Borrowers' obligations under this Agreement, without the Lender's prior written consent.

4. If, during the term of this Agreement, the Borrowers shall at any time or from time to time thereafter, acquire any additional patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications not listed on Exhibit "A" the Borrowers shall give to the Lender prompt written notice thereof and the provisions hereof shall automatically apply thereto and such item shall automatically become Pledged Property as if such item were initially described in Exhibit "A". If this occurs, Borrowers and Lender hereby mutually agree to amend Exhibit "A" incorporating any future, additional patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications. At the request of the Lender, the Borrowers will join the Lender in executing and delivering one or more financing statements or other

documents or instruments in form and substance satisfactory to the Lender for filing or recording in any state or county that the Lender or its legal counsel deems advisable to perfect its Lien on any item of Pledged Property.

5. In any case mentioned in Section 4 above the Borrowers authorize the Lender to modify this Agreement by amending Exhibit A to include any patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications therefor so acquired by the Borrowers, including those purchased from third parties but subject to any restrictions imposed by the terms of the applicable purchase agreement or license. The Borrowers agree, if requested by the Lender that they will register with the United States Copyright Office a copyright with respect to each copyrightable material contained in the Pledged Property provided such copyrightable material is in sufficiently complete condition to justify such registration. If such registration cannot be effected without jeopardizing any of the Borrowers' trade secrets with respect to the Pledged Property, the Borrowers shall request that the Copyright Office register the Pledged Property under that Office's special handling procedures. The Borrowers further agree to place all copyright notices on Pledged Property as necessary to comply with the Copyright Act of 1976, as amended.

6. The Borrowers shall take all steps necessary to preserve and maintain the proprietary or intellectual property status of all patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property. Other than in the ordinary course of the Borrowers' business and only with the good faith intent to resume use, the Borrowers shall not cease use of any trademark or service mark which is part of the Pledged Property hereunder without the prior written consent of the Lender. All products or services offered in conjunction with the trademarks or service marks shall be consistent with or exceed the standards of quality in existence upon execution of this Agreement.

7. If any Event of Default shall have occurred and be continuing with respect to any of the Obligations, all of the Borrowers' rights, titles and interests to the patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property, together with the goodwill associated with those service marks and/or trademarks, shall transfer to Lender.

8. At such time as Borrowers shall have satisfied in full all of the Obligations hereunder and the Loan Documents shall have been terminated in writing, this Agreement shall terminate and the Lender shall execute and deliver to the Borrowers instruments as may be necessary or proper to re-vest in the Borrowers full unencumbered title to the Pledged Property, subject to any prior disposition thereof which may have been by the Lender pursuant hereto.

9. Any and all fees, costs and expenses of whatever kind or nature incurred by the Lender in connection with the filing or recording of any documents, and the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or other costs of protesting, maintaining or preserving of any of the Pledged Property, or of defending or prosecuting any actions or proceedings arising out

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of or related to any of the Pledged Property, shall be borne and paid by the Borrowers on demand by the Lender and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the Default Rate.

10. The Borrowers shall have the duty through counsel acceptable to the Lender, to prosecute diligently any application with respect to any patents, copyrights and/or trademarks and sublicenses constituting a part of the Pledged Property pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full, to make any necessary federal application with respect thereto, to file and prosecute opposition and cancellation proceedings and to do any and all acts which are necessary or desirable to preserve and maintain all rights in all of the patents, copyrights and trademarks constituting a part of the Pledged Property. Any expenses incurred in connection with the Pledged Property shall be borne by the Borrowers. The Borrowers shall not abandon any of the patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property including rights to file patent applications or any pending patent application or patents, without the consent of the Lender, which consent shall not be unreasonably withheld.

11. The Borrowers shall have the right, with the prior written consent of the Lender, which shall not be unreasonably withheld, to bring any opposition proceedings, cancellation proceedings or lawsuit in its own name to enforce or protect any of the patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property, in which event the Lender may, if necessary, be joined as a nominal party to such suit if the Lender shall have been satisfied that it is not thereby incurring any rise of liability because of such joinder. The Borrowers shall promptly, upon demand, reimburse and indemnify the Lender for all damages, costs and expense including attorneys' fees, incurred by the Lender in the fulfillment of the provision of this Section 11.

12. In the event of the occurrence of any event of default under any instrument or instruments evidencing the Obligations, the Borrowers hereby authorize and empower the Lender to make, constitute and appoint any officer or agent of the Lender as the Lender may select, in its exclusive discretion, as the Borrowers' true and lawful attorney-in-fact, with the power to endorse the Borrowers' name on all applications, documents, papers and instruments necessary for the Lender to use any of the patents, copyrights, trade secrets, confidential information, know-how, service marks, trademarks, logos, taglines, licenses, sublicenses and/or applications constituting a part of the Pledged Property, or to grant or issue any exclusive or non-exclusive license under any of the patents, copyrights, trade secrets, confidential information, know-how, service marks and/or trademarks constituting a part of the Pledged Property to anyone else, or necessary for the Lender to assign, pledge, convey or otherwise transfer title in or dispose of any of the patents, copyrights, trade secrets, confidential information, know-how, service marks and/or trademarks constituting a part of the Pledged Property to anyone else. The Borrowers hereby ratify all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the

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life of this Agreement. All rights and remedies granted herein shall be in addition to those granted in any other Loan Document.

13. If the Borrowers fail to comply with any of their respective obligations hereunder, the Lender may do so in the Borrowers' name or in the Lender's name, but at the Borrowers' expense, and the Borrowers hereby agree to reimburse the Lender in full for all expenses, including reasonable attorneys' fees, incurred by the Lender in protecting, defending and maintaining any of the patents, copyrights, trade secrets, confidential information, know-how, service marks and/or trademarks constituting a part of the Pledged Property.

14. The security interest granted herein shall not be effective to the extent that the grant of such a security interest would violate any prior agreement of Borrowers. In particular, Lender and Borrowers recognize that the sublicense agreement listed in Exhibit A may require the approval of the sublicensor before a security interest in that sublicense may be granted. Borrowers agree to diligently seek such approval from the sublicensor. The security interest granted herein shall not be effective with respect to the sublicense agreement listed in Exhibit A unless and until approval from the sublicensor is obtained. Lender and Borrowers further recognize that the additional licenses and sublicenses referenced in Paragraph 4 herein may prohibit Borrowers from granting a security interest in those licenses and sublicenses, or impose restrictions on such grants. Borrowers agree to diligently take all other steps necessary to facilitate the lawful grant of a security interest in such licenses and sublicenses. The security interest granted herein shall not be effective with respect to any such licenses or sublicenses unless and until all pre-requisites to the granting of a security interest imposed by such licenses and sublicenses have been satisfied.

15. No course of dealing between the Borrowers and the Lender nor any failure to exercise, nor any delay in exercising, on the part of the Lender, any right, power or privilege hereunder or under any note or instrument evidencing any of the Obligations or Agreement pursuant to which they were incurred shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

16. All of the Lender's rights and remedies with respect to any of the patents, copyrights, trade secrets, confidential information, know-how, service marks and/or trademarks constituting a part of the Pledged Property, whether established hereby or by any instrument or instruments evidencing any of the Obligations, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently.

17. If any provision of this Agreement is hereafter determined to be unlawful, and if the unlawful provision can be deleted without altering the essence of this Agreement, the unlawful provision and only that provision shall be severed from this Agreement and the remaining provisions shall remain in full force or effect.

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18. This Agreement is subject to modification only by a writing signed by the parties, except provided in Section 5, above.

19. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties, including specifically a successor Lender.

20. This Security Agreement in Intellectual Property and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of North Carolina without giving effect to the principles and conflict of laws.

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WITNESS the due execution hereof as of the 6th day of March, 2001.

ASSIGNORS

VECTOR TOBACCO (USA) LTD.

By: *[Signature]*

Name: Steven D. Shipe

Title: VP - Sales + Marketing

VECTOR TOBACCO LTD.

By: *[Signature]*

Name: Samuel M. Veasey

Title: SUP CFO

ASSIGNEE

BGLS INC.

By: _____

Name: _____

Title: _____

VECTOR GROUP LTD.

By: _____

Name: _____

Title: _____

EXECUTION COPY

WITNESS the due execution hereof as of the 6th day of March, 2001.

ASSIGNORS

VECTOR TOBACCO (USA) LTD.

By: _____

Name: _____

Title: _____

VECTOR TOBACCO LTD.


By: _____

Name: _____

Title: _____

ASSIGNEE

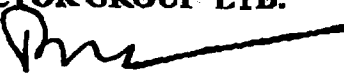
BGLS INC.

By:  _____

Name: _____
Richard J. Lampson
Executive Vice President

Title: _____

VECTOR GROUP LTD.

By:  _____

Name: _____
Richard J. Lampson
Executive Vice President

Title: _____

EXHIBIT "A"

Patents and Patent Applications

United States Provisional Patent Application No. 60/247,163, entitled "Method for Producing and Marketing Cigarettes with Minimal Large Polycyclic Aromatic Hydrocarbons," filed November 10, 2000.

United States Provisional Patent Application, entitled "Filter for Removing Tobacco Specific Nitrosamines," to be filed on behalf of Vector Tobacco Ltd., listing Robert Bereman and John Woods as inventors.

United States Provisional Patent Application, entitled "Temperature Gradient Catalytic System to Reduce Carcinogenic Polyaromatic Hydrocarbons and Radicals in Tobacco Smoke," to be filed on behalf of Vector Tobacco Ltd., listing David Larkin, Patrick Rainey, and Robert Bereman as inventors.

Patent & Plant Variety Protection Licenses

Restated and Amended Sublicense and Option Agreement between Vector Tobacco Ltd. and 22nd Century Limited, LLC having an effective date of January 22, 1999.

License Agreement between Vector Tobacco Ltd. And E.I. du Pont de Nemours and Company, entitled "Commercial Agreement for Use of Biolistic Process by Vector Tobacco Limited," executed November 29, 2000 by E.I. du Pont de Nemours and Company.

License Agreement between Vector Tobacco Ltd. And Garching Innovation GmbH, executed 11/3/00.

License Agreement between Vector Tobacco Ltd. and Mogen Licensing B.V., executed 2/1/99.

SCHEDULE A

U. S. TRADEMARK REGISTRATIONS

<u>TRADEMARK</u>	<u>REGISTRATION NO.</u>	<u>EXPIRATION DATE</u>
OMNI	1,159,377	June 30, 2001
OMNI & Design	1,863,307	November 15, 2004

Trademark	Country	Registration No.	Expiration Date
Omni	Australia	A360,399	May 19, 2002
Omni	Benelux	373,802	May 22, 2001
Omni	Bulgaria	20497	January 29, 2002
Omni	Canada	266,660	February 19, 2012
Omni	Colombia	135,783	August 20, 1996
Omni	Croatia	2920554	September 4, 2002
Omni	Czech Republic	176811	January 17, 2002
Omni	Denmark	3757/81	November 27, 2001
Omni	Egypt	56069	June 1, 2001
Omni	France	1,647,713	March 1, 2001
Omni	Germany	1,026,964	May 21, 2001
Omni	Greece	69215	June 24, 2001
Omni	Hong Kong	180 of 1982	May 20, 2002
Omni	Hungary	135146	January 16, 2002
Omni	Iceland	28/1982	April 5, 2002
Omni	Ireland	98259	May 19, 2002
Omni	Israel	52209	May 22, 2002
Omni	Italy	473353	June 30, 2001
Omni	Japan	1676459	April 20, 2004
Omni 30's	Japan	2341805	October 30, 2001
Omni 30's Label	Japan	2341806	October 30, 2001
Omni Blue	Japan	2521125	March 31, 2003
Omni	Jordan	29708	January 25, 2013
Omni	Korea	135,881	December 29, 2008
Omni	Kuwait	13017	December 28, 2001
Omni	Lebanon	70307	November 6, 2011
Omni	Macedonia	827	January 22, 2002
Omni	Malay	M/93066	November 24, 2002
Omni	Morocco	31,646	November 9, 2001
Omni	Namibia	81/0712	July 1, 2001
Omni	Netherlands	12167	November 5, 2011
Omni	New Zealand	137230	May 20, 2002
Omni	Panama	29477	August 6, 2002
Omni	Paraguay	153,204	April 28, 2002
Omni	Peru	68793	June 24, 2002
Omni	PRC	175313	April 14, 2003
Omni	Poland	76873	January 29, 2002
Omni	Qatar	2442	December 22, 2001
Omni	Romania	18447	February 24, 2002
Omni	Russia	110202	January 13, 2002
Omni	Sabah	S/29021	November 25, 2002
Omni	Sarawak	SAR/24216	November 25, 2002
Omni	Saudi Arabia	113/73	July 2, 2001
Omni	Slovak Republic	175048	January 17, 2002
Omni	Slovenia	9280043	January 22, 2002
Omni	South Africa	81/3651	May 27, 2001
Omni	Switzerland	312,584	May 19, 2001
Omni	Taiwan	180370	May 31, 2002
Omni	Thailand	76691	October 21, 2001
Omni	Turkey	130653	August 25, 2001
Omni	U.K.	1,154,378	May 20, 2002
Omni	Unites States	1,159,377	June 30, 2001
Omni	Unites States	1,863,307	November 15, 2004
Omni	Yugoslavia	38800	January 22, 2002