

Notice to New Valley Corporation Stockholders

New Valley Corporation anticipates its 2001 distribution of Ladenburg Thalmann Financial Services Inc. common stock is nontaxable return of capital

New Valley (NYSE: NVAL) anticipates that its distribution of shares of Ladenburg Thalmann common stock was not taxable as dividend income for federal income tax purposes but instead will be considered a nontaxable return of capital.

On December 20, 2001, New Valley distributed 22,543,158 shares of Ladenburg Thalmann common stock to its stockholders, who received 0.988 of a Ladenburg Thalmann share for each New Valley share owned. Based on tax calculations, New Valley has determined that it had neither current nor accumulated earnings and profits for federal income tax purposes for the year ended December 31, 2001. New Valley's determination of its earnings and profits for 2001 and prior years was filed with the Internal Revenue Service ("IRS") on September 16, 2002. Stockholders will be advised if there is any material change to the status of the 2001 distributions as a result of the IRS review or audits.

A distribution that is not taxable as dividend income must be applied to reduce the tax basis of the shares on which the distribution is paid. If the nontaxable distribution exceeds the stockholder's basis in the New Valley stock, a capital gain will result. The stockholder's tax basis in the shares of Ladenburg Thalmann received will equal \$0.90 per Ladenburg Thalmann share, which represents the average of the high and low prices of Ladenburg Thalmann stock on December 20, 2001, the date of the distribution. Stockholders should secure their own tax advice regarding the status of the distribution under applicable federal, state and local tax laws.

Example 1

A stockholder owned 10,000 New Valley common shares and had an adjusted tax basis in the New Valley common shares of \$40,000 prior to the distribution. In connection with the Ladenburg Thalmann distribution, the stockholder would have received 9,880 Ladenburg Thalmann shares (10,000 New Valley shares * 0.988) in 2001, which are valued at \$8,892 (or \$0.90 per Ladenburg Thalmann share). Therefore, the stockholder's new tax basis in the New Valley and Ladenburg Thalmann common stock is as follows:

	Adjusted Tax Basis Pre-distribution		Non- Taxable Distribution		Adjusted Tax Basis Post-distribution
New Valley	\$ 40,000.00	—	\$ 8,892.00 ¹	=	\$ 31,108.00
Ladenburg Thalmann	<u>0.00</u>	+	8,892.00 ¹	=	<u>8,892.00</u>
Total	<u>\$ 40,000.00</u>				<u>\$ 40,000.00</u>

Example 2

Assume the same facts as in Example 1, except the stockholder's adjusted tax basis in New Valley common shares was \$6,000 prior to the distribution. Therefore, the stockholder's adjusted tax basis in the New Valley and Ladenburg Thalmann common stock is as follows:

	Adjusted Tax Basis 1/1/01		Non- Taxable Distribution		Adjusted Tax Basis 12/31/01	Capital Gain
New Valley	\$ 6,000.00	—	\$ 8,892.00 ²	=	\$ 0.00	\$2,892.00
Ladenburg Thalmann	<u>0.00</u>	+	8,892.00 ²	=	<u>8,892.00</u>	<u>0.00</u>
Total	<u>\$ 10,000.00</u>				<u>\$ 8,892.00</u>	<u>\$2,892.00</u>

¹ In Example 1, the New Valley stockholder's basis in the Ladenburg Thalmann common stock received is \$8,892, which represents the fair market value of such shares. The stockholder's basis in New Valley common shares is reduced by the fair market value of the Ladenburg Thalmann common stock received (\$8,892).

² In Example 2, the New Valley stockholder's basis in the Ladenburg Thalmann common stock received is \$8,892, which represents the fair market value of such shares. The stockholder's basis in New Valley common shares is reduced to \$0, and any remaining amount of the Ladenburg Thalmann distribution received (\$8,892) in excess of adjusted tax basis (\$6,000) results in a capital gain (\$2,892).