

**Allocation of tax basis of Common Shares and Warrants issued in New Valley Corporation's 1999 Recapitalization**

Based on the average of the high and low prices of the Common Shares and Warrants on June 7, 1999, the first trading day after the Recapitalization became effective at the close of business on June 4, 1999, each stockholder's tax basis should be allocated as follows:

	<b>Common Shares</b>	<b>Warrants</b>
Class A Senior Preferred Shares	99.63%	0.37%
Class B Preferred Shares	47.06%	52.94%
Old Common Shares	81.63%	18.37%

**Examples**

**Class A Senior Preferred Shares**

Each Class A Senior Preferred Share was changed into 20 Common Shares and one warrant to purchase a Common Share. If you owned 100 Class A Shares with a tax basis of \$100 for each share, for a total basis of \$10,000, you received 2,000 Common Shares and 100 Warrants in the Recapitalization. Therefore, your new tax basis for each Common Share and Warrant received would be allocated as follows:

	<b>% Tax Basis Allocable</b>		<b>Original Tax Basis Class A Shares</b>		<b>Total Allocated Tax Basis</b>		<b>Number of Common Shares and Warrants Received</b>	<b>New Tax Basis per Common Share and Warrant</b>
Common Shares	99.63%	X	\$ 10,000	=	\$ 9,963.00	÷	2,000	\$ 4.9815
Warrants	<u>0.37%</u>	X	10,000	=	<u>37.00</u>	÷	100	0.3700
	<u>100.00%</u>				<u>\$10,000.00</u>			

**Class B Preferred Shares**

Each Class B Preferred Share was changed into 1/3 of a Common Share and five Warrants to purchase a Common Share. If you owned 300 Class B Shares with a tax basis of \$10 per share, for a total basis of \$3,000, you received 100 Common Shares and 1,500 Warrants in the Recapitalization. Therefore, your new tax basis for each Common Share and Warrant received would be allocated as follows:

	<b>% Tax Basis Allocable</b>		<b>Original Tax Basis Class B Shares</b>		<b>Total Allocated Tax Basis</b>		<b>Number of Common Shares and Warrants Received</b>	<b>New Tax Basis per Common Share and Warrant</b>
Common Shares	47.06%	X	\$ 3,000	=	\$ 1,411.80	÷	100	\$ 14.1180
Warrants	<u>52.94%</u>	X	3,000	=	<u>1,588.20</u>	÷	1,500	1.0588
	<u>100.00%</u>				<u>\$ 3,000.00</u>			

**Old Common Shares**

Each old Common Share was changed into 1/10 share of a Common Share and 3/10 of a Warrant to purchase a Common Share. If you owned 1,000 old Common Shares with a tax basis of \$1 per share, for a total basis of \$1,000, you received 100 Common Shares and 300 Warrants in the Recapitalization. Therefore, your new tax basis for each Common Share and Warrant received would be allocated as follows:

	<b>% Tax Basis Allocable</b>		<b>Original Tax Basis Old Common Shares</b>		<b>Total Allocated Tax Basis</b>		<b>Number of Common Shares and Warrants Received</b>	<b>New Tax Basis per Common Share and Warrant</b>
Common Shares	81.63%	X	\$ 1,000	=	\$ 816.30	÷	100	\$ 8.1630
Warrants	<u>18.37%</u>	X	1,000	=	<u>183.70</u>	÷	300	0.6123
	<u>100.00%</u>				<u>\$ 1,000.00</u>			