

**PATENT ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
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<b>NATURE OF CONVEYANCE:</b>	Patent Security and Pledge Agreement
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<b>CONVEYING PARTY DATA</b>	
<b>Name</b>	<b>Execution Date</b>
Vector Tobacco Inc.	08/16/2007

<b>RECEIVING PARTY DATA</b>	
<b>Name:</b>	U.S. Bank National Association
<b>Street Address:</b>	60 Livingston Avenue
<b>City:</b>	St. Paul
<b>State/Country:</b>	MINNESOTA
<b>Postal Code:</b>	55107

<b>PROPERTY NUMBERS Total: 17</b>	
<b>Property Type</b>	<b>Number</b>
Patent Number:	6907887
Patent Number:	6789548
Patent Number:	6959712
Application Number:	11285537
Application Number:	11416270
Application Number:	11077752
Application Number:	11416262
Application Number:	10943346
Application Number:	11253430
Application Number:	11293680
Application Number:	11415817
Application Number:	10559113
Application Number:	10838876
Application Number:	10838872
Application Number:	10838521

OP \$680.00 6907887

Application Number:	11393176
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Application Number:	11412492
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**CORRESPONDENCE DATA**

Fax Number: (714)755-8290  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
Phone: 714-540-1235  
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ATTORNEY DOCKET NUMBER:	038507-0069
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NAME OF SUBMITTER:	Anna T Kwan
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**Total Attachments: 13**  
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## PATENT SECURITY AND PLEDGE AGREEMENT

This PATENT SECURITY AND PLEDGE AGREEMENT, dated as of August 16, 2007 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by Vector Tobacco Inc., a Virginia corporation (the "Grantor") in favor of U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent") for the Noteholders (as defined in the Security Agreement referred to below).

WHEREAS, the Grantor has guaranteed the Notes issued under the Indenture, dated as of August 16, 2007 (as amended, supplemented, or otherwise modified from time to time, the "Indenture") among Vector Group Ltd. (the "Issuer"), the Grantor and certain of the Issuer's other direct and indirect subsidiaries and the Collateral Agent, in its capacity as trustee thereunder.

WHEREAS, it is a condition precedent to the obligations of the Collateral Agent under the Indenture that the Grantor shall have executed and delivered that certain Security Agreement, dated as of August 16, 2007, in favor of the Collateral Agent (as amended, supplemented, replaced or otherwise modified from time to time, the "Security Agreement").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted a security interest in certain Property, including, without limitation, certain Intellectual Property of the Grantor to the Collateral Agent for the ratable benefit of the Noteholders, and have agreed as a condition thereof to execute this Agreement for recording with the United States Patent and Trademark Office and other applicable Governmental Authorities.

WHEREAS, this Agreement is supplemental to the provisions contained in the Security Agreement and, in the event of an inconsistency among them, the Security Agreement shall control over this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

### § 1 DEFINITIONS.

1.1. Terms Defined in the Security Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

1.2. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

“Assignment of Patents” has the meaning set forth in Section 2.2 herein.

“Patent Collateral” has the meaning set forth in Section 2.1 herein.

“PTO” means the United States Patent and Trademark Office.

1.3. Rules of Construction. Unless otherwise provided herein, the rules of construction set forth in Section 1.2 of the Security Agreement shall be applicable to this Agreement.

## § 2

### GRANT OF SECURITY INTEREST.

2.1. Security Interest. As collateral security for the payment and performance in full of all of the Secured Liabilities, each Grantor hereby grants to the Collateral Agent, for the benefit of the Collateral Agent and the ratable benefit of the Noteholders, a continuing security interest in and first priority lien on all of such Grantor’s rights, title and interests in all Patents and Patent Licenses, including the Patents and Patent Licenses referred to on Schedule A hereto, in each case whether now or hereafter existing or arising or in which such Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Patent Collateral”).

2.2. Assignment of Patents upon Default. Each Grantor acknowledges that the Collateral Agent has the right, pursuant to the power of attorney granted the Collateral Agent hereunder and under the Security Agreement, upon the occurrence and during the continuance of an Event of Default, to execute on behalf of such Grantor an assignment of Patents and Patent Licenses that constitute Patent Collateral in substantially the form of Exhibit 1 hereto (each an “Assignment of Patents”) for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement. In furtherance of the foregoing, each Grantor hereby authorizes the Collateral Agent to complete, execute and record with the PTO an Assignment of Patents on behalf of such Grantor upon the occurrence and during the continuance of an Event of Default for the sole purpose of effecting the Collateral Agent’s exercise of its remedies under Section 8 of the Security Agreement.

2.3. Conditional Assignment. In addition to, and not by way of limitation of, the grant and pledge of the Patent Collateral provided in Section 2.1, each Grantor grants, assigns, transfers, conveys and sets over to the Collateral Agent, for the benefit of the Noteholders, such Grantor's entire right, title and interest in and to the Patent Collateral; *provided*, that such grant, assignment, transfer and conveyance shall be and become of force and effect only (a) in connection with the Collateral Agent's exercise of its rights and remedies in strict accordance with the terms of the Security Agreement, and (b) upon or after the occurrence and during the continuance of an Event of Default and (c) either (i) upon the written demand of the Collateral Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by the Collateral Agent) upon an Event of Default for which acceleration of the payment of the Notes is automatic under the Indenture or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by any Grantor to the Collateral Agent or its nominee in lieu of foreclosure).

2.4. Supplemental to Security Agreement. Pursuant to the Security Agreement the Grantor has granted to the Collateral Agent, for the benefit of the Noteholders, a continuing security interest in and first lien on the Collateral (including the Patent Collateral). The Security Agreement, and all rights and interests of the Collateral Agent in and to the Collateral (including the Patent Collateral) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Agreement, the grant, assignment, transfer and conveyance of the Patent Collateral hereunder, or the recordation of this Agreement (or any other document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Collateral Agent in the Collateral (including the Patent Collateral) pursuant to the Security Agreement, the attachment and perfection of such security interest under the UCC (including the security interest in the Patent Collateral), or any present or future rights and interests of the Collateral Agent in and to the Collateral under or in connection with the Security Agreement or the UCC. Any and all rights and interests of the Collateral Agent in and to the Patent Collateral (and any and all obligations of the Grantors with respect to the Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Collateral Agent (and the obligations of the Grantors) in, to or with respect to the Collateral (including the Patent Collateral) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

§ 3  
AFTER-ACQUIRED PATENTS

3.1. After-acquired Patents. If, after the execution of this Agreement and before the end of the Secured Period, any Grantor shall obtain any right, title or interest in or to any new patentable inventions or become entitled to the benefit of any Patents or Patent Licenses for any reissue, division, or continuation, of any Patent, the provisions of this Agreement shall automatically apply thereto and such Grantor shall promptly provide to the Collateral Agent notice thereof in writing and execute and deliver to the Collateral Agent such documents or instruments as the Collateral Agent may reasonably request further to implement, preserve or evidence the Collateral Agent's interest therein.

3.2. Amendment to Schedule. The Grantor authorizes the Collateral Agent to modify this Agreement and the Assignments of Patents, without the necessity of such Grantor's further approval or signature, by amending Schedule A hereto and the Annex to each Assignment of Patents to include any future or other Patents or Patent Licenses that become part of the Patent Collateral under Section 2 or Section 3.1.

§ 4  
GOVERNING LAW; CONSENT TO JURISDICTION.

This Agreement, the relationship between the parties hereunder and any claim or dispute (whether sounding in contract, tort, statute or otherwise) relating to this Agreement or that relationship shall be governed by and construed in accordance with law of the State of New York including section 5-1401 of the New York General Obligations Law but excluding any other conflict of law rules that would lead to the application of the law of another jurisdiction. If the law of a jurisdiction other than New York is, under section 1-105(2) of the UCC, mandatorily applicable to the perfection, priority or enforcement of any security interest granted under this Agreement in respect of any Patent Collateral, that other law shall apply solely to the matters of perfection, priority or enforcement to which it is mandatorily applicable.

§ 5  
MISCELLANEOUS.

5.1. Headings. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Collateral Agent, the other Noteholders and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Grantor acknowledges receipt of a copy of this Agreement.

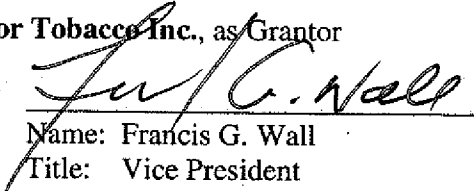
5.2. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

*[Signatures begin on next page]*

IN WITNESS WHEREOF, the Grantor has caused this Patent Security and Pledge Agreement to be executed and delivered by its duly authorized officer as of the day and year first above written.

Vector Tobacco Inc., as Grantor

By:


  
Name: Francis G. Wall  
Title: Vice President

*(Signature Page to Patent Security Agreement – Vector Tobacco Inc.)*

PATENT  
REEL: 019704 FRAME: 0449



U.S. Bank National Association, as  
Collateral Agent

By:   
Name: Richard Prokosch  
Title: Vice President

*(Signature Page to Patent Security Agreement - Vector Tobacco Inc.)*

**PATENT**  
**REEL: 019704 FRAME: 0450**

## Schedule A to the Patent Security and Pledge Agreement

GRANTOR: VECTOR TOBACCO INC.

Issued U.S. Patents of Grantor

Title	Country	Application No. <i>Patent No.</i>	Priority Date	Date Filed on	Filing Date Entitled	Issue Date
Modifying Nicotine And Nitrosamine Levels In Tobacco	USA	10/729,121 6,789,548	6/8/01	12/5/03	6/6/02	9/14/04
Method Of Making A Smoking Composition	USA	10/007724 6,789,548	11/10/00	11/9/01	11/9/01	9/14/04
Method Of Making A Smoking Composition	USA	10/871863 6,959,712	11/10/00	6/18/04	6/18/04	11/1/05

**Schedule A**  
**to the Patent Security and Pledge Agreement**

Pending U.S. Patent Applications of Grantor

Title	Country	Application No. <i>Patent No.</i>	Priority Date	Date Filed on	Filing Date Entitled	Issue Date
Modifying Nicotine And Nitrosamine Levels In Tobacco	USA	11/285,537	6/8/01	11/22/05	6/6/02	
Modifying Nicotine And Nitrosamine Levels In Tobacco	USA	11/416,270	6/8/01	5/1/06	6/6/02	
Modifying Nicotine And Nitrosamine Levels In Tobacco	USA	11/077,752	6/8/01	3/10/05	6/6/02	
Modifying Nicotine And Nitrosamine Levels In Tobacco	USA	11/416,262	6/8/01	5/1/06	6/6/02	
Tobacco Having Reduced Nicotine and Nitrosamines	USA	10/943346	4/9/02	9/17/04	4/7/03	
Method Of Making A Smoking Composition	USA	11/253,430	11/10/00	10/19/05		
Method of Reducing the Harmful Effects of Orally or Transdermally Delivered Nicotine	USA	11/293,680		12/2/05		
Method of Reducing the Harmful Effects of Orally or Transdermally Delivered Nicotine	USA	11/415,817		5/02/06		

Title	Country	Application No. <i>Patent No.</i>	Priority Date	Date Filed on	Filing Date Entitled	Issue Date
Method of Reducing the Harmful Effects of Orally or Transdermally Delivered Nicotine	USA	10/559,113		12/2/05		
Method and Composition for Mentholation of Charcoal Filtered Cigarettes	USA	10/838876	11/9/01	5/3/04	11/7/02	
Method and Compositions for Imparting Cooling Effect to Tobacco Products	USA	10/838872	12/19/01	5/3/04	12/18/02	
Method and Composition for Mentholation of Cigarettes	USA	10/838521	12/19/01	5/3/04	12/18/02	
Tobacco Product Labeling System	USA	11/393,176	10/2/03	3/30/06		
Tobacco Product Labeling System	USA	11/412,492	10/2/03	4/27/06		

EXHIBIT 1  
ASSIGNMENT OF PATENTS

WHEREAS, \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of \_\_\_\_\_, having a place of business at \_\_\_\_\_ (the "Assignor"), has adopted and used and is using the patents (the "Patents") identified on the Annex hereto, and is the owner of such Patents; and

WHEREAS, [COLLATERAL AGENT], having a place of business at [ADDRESS] (the "Assignee"), is desirous of acquiring the Patents;

WHEREAS, the Assignor and the Assignee have entered into that certain Patent Collateral Security and Pledge Agreement, dated as of [\_\_\_\_\_] \_\_, 20[\_\_\_\_] (as may be amended, Patent Collateral Agreement"). Capitalized terms used and not defined herein have the meanings given such terms in the Patent Collateral Agreement;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Patents, together with (i) the Issued Patents and Patent Applications identified on the Annex attached hereto and incorporated herein by reference, (ii) the goodwill of the business symbolized by and associated with the Patents, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements of or damage or injury to the Patents or such associated goodwill.

This Assignment of Patents is intended to and shall take effect at such time as the Assignee shall complete this instrument by signing its acceptance of this Assignment of Patents below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, , on this \_\_ day of \_\_\_\_\_, 20\_\_.

[\_\_\_\_\_]

By: \_\_\_\_\_

Name:

Title:

The foregoing assignment of the Patents by the Assignor to the Assignee is hereby accepted as of the \_\_ day of \_\_\_\_\_, 20\_\_.

[COLLATERAL AGENT]

By: \_\_\_\_\_

Name:

Title:

COMMONWEALTH OR STATE OF \_\_\_\_\_)

) ss.

COUNTY OF \_\_\_\_\_

On this the \_\_\_ day of \_\_\_\_\_, 20\_\_, before me appeared \_\_\_\_\_, the person who signed this instrument, who acknowledged that (s)he is the \_\_\_\_\_ of \_\_\_\_\_, and that being duly authorized (s)he signed such instrument as a free act on behalf of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

[Seal]

My commission expires:

ANNEX  
U.S. PATENT REGISTRATIONS AND APPLICATIONS

Title	App. No. Filing Date	Patent No. Issue Date	Security Interest