

VECTOR GROUP LTD
Form PRE 14A
April 20, 2007

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**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

Vector Group Ltd.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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- o Fee paid previously with preliminary materials.

 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

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**VECTOR GROUP LTD.
100 S.E. Second Street
Miami, Florida 33131**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 13, 2007**

To the Stockholders of Vector Group Ltd.:

The Annual Meeting of Stockholders of Vector Group Ltd., a Delaware corporation (the Company), will be held at the Bank of America Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Wednesday, June 13, 2007 at 11:00 a.m. local time, and at any postponement or adjournment thereof, for the following purposes:

1. To elect seven directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified.
2. To amend the Company's Certificate of Incorporation to increase the authorized shares of Common Stock of the Company from 100,000,000 to 150,000,000.
3. To transact such other business as properly may come before the meeting or any adjournments or postponements of the meeting.

Every holder of record of Common Stock of the Company at the close of business on April 17, 2007 is entitled to notice of the meeting and any adjournments or postponements thereof and to vote, in person or by proxy, one vote for each share of Common Stock held by such holder. A list of stockholders entitled to vote at the meeting will be available to any stockholder for any purpose germane to the meeting during ordinary business hours from June 1, 2007 to June 13, 2007, at the headquarters of the Company located at 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. A proxy statement, form of proxy and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 are enclosed herewith.

By Order of the Board of Directors,

Howard M. Lorber
President and Chief Executive Officer

Miami, Florida
April 11, 2007

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.

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**VECTOR GROUP LTD.
100 S.E. Second Street
Miami, Florida 33131**

PROXY STATEMENT

INTRODUCTION

The enclosed proxy is solicited on behalf of the board of directors of Vector Group Ltd., a Delaware corporation (the Company). The proxy is solicited for use at the annual meeting of stockholders to be held at the Bank of America Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Wednesday, June 13, 2007, at 11:00 a.m. local time, and at any postponement or adjournment. The Company's offices are located at 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, and its telephone number is (305) 579-8000.

VOTING RIGHTS AND SOLICITATION OF PROXIES

Every holder of record of common stock of the Company at the close of business on April 17, 2007 is entitled to notice of the meeting and any adjournments or postponements and to vote, in person or by proxy, one vote for each share of Common Stock held by such holder. At the record date, the Company had outstanding 57,107,481 shares of Common Stock. This proxy statement, accompanying notice and proxy and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 are first being mailed to stockholders on or about May 1, 2007.

Any stockholder giving a proxy has the power to revoke the proxy prior to its exercise. A proxy can be revoked by an instrument of revocation delivered at or prior to the annual meeting to the secretary of the Company, by a duly executed proxy bearing a date or time later than the date or time of the proxy being revoked, or at the annual meeting if the stockholder is present and elects to vote in person. Mere attendance at the annual meeting will not serve to revoke a proxy. Abstentions and shares held of record by a broker or its nominee that are voted on any matter are included in determining the number of votes present for quorum purposes. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

All proxies received and not revoked will be voted as directed. If no directions are specified, such proxies will be voted **FOR** the election of the board's nominees and **FOR** the amendment to the Company's Certificate of Incorporation to increase the number of shares of Common Stock authorized for issuance. The nominees receiving a plurality of the votes cast will be elected as directors. With respect to the election of directors, shares as to which authority is withheld and broker shares that are not voted will not be included in determining the number of votes cast. The affirmative vote of a majority of the outstanding shares of Common Stock will be required to approve the amendment to the Company's Certificate of Incorporation and, therefore, abstentions and broker non-votes will have the same effect as votes against this proposal. For any other matter to come before the meeting, abstentions will have the same effect as votes against these proposals, and broker non-votes will not have any effect on the outcome of the vote. A New York Stock Exchange member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. New York Stock Exchange rules permit member brokers who do not receive instructions to vote on proposal one to elect directors, proposal two to

amend the Company's Certificate of Incorporation to increase the number of shares of Common Stock authorized for issuance and proposal three for any other matter to come before the meeting.

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The following table sets forth, as of the record date, the beneficial ownership of the Company's Common Stock, the only class of voting securities, by:

each person known to the Company to own beneficially more than five percent of the Common Stock;

each of the Company's directors and nominees;

each of the Company's named executive officers (as such term is defined in the Summary Compensation Table below); and

all directors and executive officers as a group.

Unless otherwise indicated, each person possesses sole voting and investment power with respect to the shares indicated as beneficially owned, and the business address of each person is 100 S.E. Second Street, Miami, Florida 33131.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
High River Limited Partnership(1) Hopper Investments, LLC Barberry Corp. Tortoise Corp. Reindeer Holding LLC Reindeer Subsidiary LLC Arnos Corp. Unicorn Associates Corporation ACF Industries Holding Corp. Highcrest Investors Corp. Buffalo Investors Corp. Starfire Holding Corporation Little Meadow Corp. Carl C. Icahn 767 Fifth Avenue New York, NY 10153	11,596,086	20.3%
Bennett S. LeBow(2)(6)(7) Howard M. Lorber(3)(6)(7) Dr. Phillip Frost(4) 4400 Biscayne Boulevard Miami, FL 33137	10,895,197 4,195,856 3,637,513	17.1% 7.2% 6.4%
Jefferies Group, Inc.(5) 520 Madison Avenue New York, NY 10022	3,171,787	5.6%
Henry C. Beinstein(6)(8) Gagnon Securities LLC	37,934	(*)

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1370 Avenue of the Americas New York, NY 10019 Robert J. Eide(6)(10) Aegis Capital Corp. 810 Seventh Avenue New York, NY 10019	55,211	(*)
Jeffrey S. Podell(6)(9) 173 Doral Court Roslyn, NY 11576	65,397	(*)
Jean E. Sharpe(6) 15 Silo Ridge Road North Salem, NY 10560	41,096	(*)
Richard J. Lampen(7)(9)	341,322	(*)

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Name and Address of Beneficial Owner	Number of Shares	Percent of Class
J. Bryant Kirkland III(7)(9)	117,514	(*)
Joselynn D. Van Sicen(7)	21,103	(*)
Ronald J. Bernstein(6)(7)(9)(11)	118,125	(*)
Liggett Vector Brands Inc. One Park Drive Research Triangle Park, NC 27709		
All directors and executive officers as a group (10 persons)	15,943,255	24.5%

(*) The percentage of shares beneficially owned does not exceed 1% of the Common Stock.

- (1) Based upon an amendment to a Schedule 13D filed by the named entities on June 19, 2006. Barberry Corp. (Barberry) is the sole member of Hopper Investments LLC, which is the general partner of High River Limited Partnership. Starfire Holding Corporation (Starfire) owns 100% of Buffalo Investors Corp., which owns 99.34% of Highcrest Investors Corp., which owns 100% of ACF Industries Holding Corp., which owns 100% of Unicorn Associates Corporation, which owns 100% of Arnos Corp., which owns 100% of Tortoise Corp, which owns 100% of Reindeer Holding LLC, which owns 100% of Reindeer Subsidiary LLC. Each of Barberry, Starfire and Little Meadow Corp. are 100% owned by Mr. Icahn. Mr. Icahn, by virtue of his relationship to these entities, may be deemed to indirectly beneficially own the shares held by these entities.
- (2) Includes 4,316,488 shares of Common Stock held by LeBow Gamma Limited Partnership, a Nevada limited partnership, 104,379 shares held by The Bennett and Geraldine LeBow Foundation, Inc., a Florida not-for-profit corporation, 2,770,227 shares acquirable by LeBow Gamma Limited Partnership, as assignee of Mr. LeBow, upon exercise of currently exercisable options to purchase Common Stock, and 3,704,102 shares acquirable by LeBow Epsilon Investments Trust, as assignee of Mr. LeBow, upon exercise of currently exercisable options. Mr. LeBow indirectly exercises sole voting power and sole dispositive power over the shares of Common Stock held or acquirable by the partnerships and trust. LeBow Holdings, Inc., a Nevada corporation, is the sole stockholder of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership. Mr. LeBow is a director, officer and sole shareholder of LeBow Holdings, Inc., a director and officer of LeBow Gamma, Inc. and the sole trustee of LeBow Epsilon Investments Trust. Mr. LeBow and family members serve as directors and executive officers of the foundation, and Mr. LeBow possesses shared voting power and shared dispositive power with the other directors of the foundation with respect to the foundation s shares of Common Stock.
- (3) Includes 1,180,484 shares held directly by Mr. Lorber, 1,908,763 shares of Common Stock held by Lorber Epsilon 1999 Limited Partnership, a Delaware limited partnership, 68,040 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership, and 1,038,569 shares acquirable by Mr. Lorber upon exercise of currently exercisable options to purchase Common Stock. Of the shares owned by Lorber Epsilon 1999 Limited Partnership, 1,272,348 shares are pledged to secure a bank line of credit. Mr. Lorber exercises sole voting power and sole dispositive power over the shares of Common Stock held by the partnership and by himself. Lorber Epsilon 1999 LLC, a Delaware limited liability company, is the general partner of Lorber Epsilon 1999 Limited Partnership. Lorber Alpha II Limited Partnership is the sole member of, and Mr. Lorber is the manager of, Lorber Epsilon 1999 LLC. Lorber Alpha II, Inc., a Nevada corporation, is the general partner of Lorber Alpha II Limited Partnership. Mr. Lorber is a director, officer and controlling shareholder of Lorber Alpha II, Inc. Mr. Lorber disclaims beneficial ownership of 12,505 shares of Common Stock held by

Lorber Charitable Fund. Lorber Charitable Fund is a New York not-for-profit corporation, of which family members of Mr. Lorber serve as directors and executive officers.

- (4) Based on Schedule 13D filed by Dr. Frost on July 20, 2006. The shares shown in the table above as owned by Dr. Frost represent shares held by Frost Gamma Investments Trust, a trust organized under Florida law. Dr. Frost is the sole trustee of Frost Gamma Investments Trust. As the sole trustee, Dr. Frost may be deemed the beneficial owner of all shares owned by the trust, by virtue of his power to vote or direct the vote of such shares or to dispose or direct the disposition of such shares owned by the trust.

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- (5) Based on Schedule 13G filed by the named entity on February 14, 2007. Jefferies Group, Inc. (Jefferies) is a publicly-traded Delaware corporation that is managed by its Board of Directors. Richard Handler is the Chairman and Chief Executive Officer of Jefferies. Jefferies disclaims beneficial ownership of 1,828,200 shares of Common Stock beneficially owned by Jefferies Paragon Master Fund, Ltd., for which Jefferies Asset Management, LLC, a Jefferies affiliate, serves as investment manager.
- (6) The named individual is a director of the Company.
- (7) The named individual is an executive officer of the Company or, in the case of Ms. Van Siclen, retired as an executive officer in 2006.
- (8) Includes 471 shares beneficially owned by Mr. Beinstein's spouse, as to which shares Mr. Beinstein disclaims beneficial ownership.
- (9) Includes shares issuable upon exercise of currently exercisable options to purchase Common Stock as follows: Mr. Podell, 14,068; Mr. Lampen, 140,708; Mr. Kirkland, 63,316; and Mr. Bernstein, 65,625.
- (10) The shares are pledged to secure a margin loan to Mr. Eide.
- (11) The named individual is an executive officer of the Company's subsidiaries Liggett Vector Brands Inc. and Liggett Group LLC (Liggett).

NOMINATION AND ELECTION OF DIRECTORS

The by-laws of the Company provide, among other things, that the board, from time to time, shall determine the number of directors of the Company. The size of the board is presently set at seven. The present term of office of all directors will expire at the annual meeting. Seven directors are to be elected at the annual meeting to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.

It is intended that proxies received will be voted **FOR** election of the nominees named below unless marked to the contrary. In the event any such person is unable or unwilling to serve as a director, proxies may be voted for substitute nominees designated by the present board. The board has no reason to believe that any of the persons named below will be unable or unwilling to serve as a director if elected.

The board recommends that stockholders vote **FOR** election of the nominees named below.

Information with Respect to Nominees

The following table sets forth certain information, as of the record date, with respect to each of the nominees. Each nominee is a citizen of the United States.

Name and Address	Age	Principal Occupation
Bennett S. LeBow Vector Group Ltd. 100 S.E. Second Street Miami, FL 33131	69	Executive Chairman

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Howard M. Lorber Vector Group Ltd. 100 S.E. Second Street Miami, FL 33131	58	President and Chief Executive Officer
Ronald J. Bernstein Liggett Vector Brands Inc. One Park Drive Research Triangle Park, NC 27709	53	President and Chief Executive Officer, Liggett and Liggett Vector Brands Inc.
Henry C. Beinstein Gagnon Securities LLC 1370 Avenue of the Americas New York, NY 10022	64	Partner, Gagnon Securities LLC

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Name and Address	Age	Principal Occupation
Robert J. Eide Aegis Capital Corp. 810 Seventh Avenue New York, NY 10019	54	Chairman and Chief Executive Officer, Aegis Capital Corp.
Jeffrey S. Podell 173 Doral Court Roslyn, NY 11576	66	Chairman of the Board and President, Newsote, Inc.
Jean E. Sharpe 15 Silo Ridge Road North Salem, NY 10560	60	Private Investor

Each director is elected annually and serves until the next annual meeting of stockholders and until his successor is duly elected and qualified.

Business Experience of Nominees

Bennett S. LeBow has been Executive Chairman since January 2006 and has been a director of the Company since October 1986. He served as the Chairman and Chief Executive Officer of the Company from June 1990 to December 2005. Mr. LeBow has served as President and Chief Executive Officer of Vector Tobacco Inc., a subsidiary of the Company engaged in the development and marketing of low nicotine and nicotine-free cigarette products and the development of reduced risk cigarette products, since January 2001 and as a director since October 1999. Mr. LeBow was Chairman of the Board of New Valley Corporation from January 1988 to December 2005 and served as its Chief Executive Officer from November 1994 to December 2005. New Valley Corporation was a majority-owned subsidiary of the Company until December 2005, when the Company acquired the remaining minority interest, engaged in the real estate business and seeking to acquire additional operating companies and real estate properties.

Howard M. Lorber has been President and Chief Executive Officer of the Company since January 2006 and has served as a director of the Company since January 2001. He served as President and Chief Operating Officer of the Company from January 2001 to December 2005. From November 1994 to December 2005, Mr. Lorber served as President and Chief Operating Officer of New Valley Corporation, where he also served as a director. Mr. Lorber was Chairman of the Board of Directors of Hallman & Lorber Assoc. Inc., consultants and actuaries of qualified pension and profit sharing plans, and various of its affiliates from 1975 to December 2004 and has been a consultant to these entities since January 2005; a stockholder and a registered representative of Aegis Capital Corp., a broker-dealer and a member firm of the National Association of Securities Dealers, since 1984; Chairman of the Board of Directors since 1987 and Chief Executive Officer from November 1993 to December 2006 of Nathan's Famous, Inc., a chain of fast food restaurants; a director of United Capital Corp., a real estate investment and diversified manufacturing company, since May 1991; and the Vice Chairman of the Board of Ladenburg Thalmann Financial Services Inc. since May 2001. He is also a trustee of Long Island University.

Ronald J. Bernstein has served as President and Chief Executive Officer of Liggett since September 1, 2000 and of Liggett Vector Brands since March 2002 and has been a director of the Company since March 2004. From July 1996 to December 1999, Mr. Bernstein served as General Director and, from December 1999 to September 2000, as Chairman of Liggett-Ducat Ltd., the Company's former Russian tobacco business sold in 2000. Prior to that time, Mr. Bernstein served in various positions with Liggett commencing in 1991, including Executive Vice President and Chief Financial Officer.

Henry C. Beinstein has been a director of the Company since March 2004. Since January 2005, Mr. Beinstein has been a partner of Gagnon Securities LLC, a broker-dealer, and has been a money manager and registered representative at such firm since August 2002. He retired in August 2002 as the Executive Director of Schulte Roth & Zabel LLP, a New York-based law firm, a position he had held since August 1997. Before that, Mr. Beinstein had served as the Managing Director of Milbank, Tweed, Hadley & McCloy LLP, a New York-based law firm, commencing November 1995. Mr. Beinstein was the Executive Director of Proskauer Rose LLP, a New York-based law firm, from April 1985 through October 1995. Mr. Beinstein is a certified public accountant in New York and

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New Jersey and prior to joining Proskauer was a partner and National Director of Finance and Administration at Coopers & Lybrand. Mr. Beinstein also serves as a director of Ladenburg Thalmann Financial Services Inc.

Robert J. Eide has been a director of the Company since November 1993. Mr. Eide has been the Chairman and Chief Executive Officer of Aegis Capital Corp., a registered broker-dealer, since 1984. Mr. Eide also serves as a director of Nathan's Famous, Inc. and Ladenburg Thalmann Financial Services Inc.

Jeffrey S. Podell has been a director of the Company since November 1993. Mr. Podell has been the Chairman of the Board and President of Newsote, Inc., a privately-held holding company, since 1989. Mr. Podell also serves as a director of Ladenburg Thalmann Financial Services Inc.

Jean E. Sharpe has been a director of the Company since May 1998. Ms. Sharpe is a private investor and has engaged in various philanthropic activities since her retirement in September 1993 as Executive Vice President and Secretary of the Company and as an officer of various of its subsidiaries. Ms. Sharpe previously served as a director of the Company from July 1990 until September 1993.

Board of Directors and Committees

The board of directors, which held eight meetings in 2006, currently has seven members. The board has determined that all four of the Company's non-employee directors have no material relationship with the Company and meet the New York Stock Exchange listing standards for independence. Each director attended at least 75% of the aggregate number of meetings of the board and of each committee of which the director was a member held during such period. To ensure free and open discussion and communication among the non-employee directors of the board, the non-employee directors meet in executive sessions periodically, with no members of management present. The chair of the corporate governance and nominating committee presides at the executive sessions.

The board of directors has four committees established in accordance with the Company's bylaws: the executive committee, audit committee, compensation committee, and corporate governance and nominating committee. Each of the members of the audit committee, compensation committee, and corporate governance and nominating committee meets the New York Stock Exchange listing standards for independence.

The executive committee, whose members are Messrs. LeBow, chairman, Lorber and Eide, did not meet in 2006. The executive committee exercises, in the intervals between meetings of the board, all the powers of the board in the management and affairs of the Company, except for matters expressly reserved by law for board action.

The audit committee, whose members are currently Messrs. Beinstein, chairman, Eide and Podell and Ms. Sharpe, met twelve times in 2006. The committee is governed by a written charter. The audit committee oversees the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes; appoints, compensates, evaluates and, where appropriate, replaces the Company's independent accountants; reviews annually the audit committee charter; and reviews and pre-approves audit and permissible non-audit services. See Audit Committee Report. Each of the members of the audit committee is financially literate as required of audit committee members by the New York Stock Exchange and independent as defined by the rules of the Securities and Exchange Commission. The board of directors has determined that Mr. Beinstein is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission.

The compensation committee, whose members are currently Messrs. Eide, chairman, Beinstein and Podell, met five times in 2006. The committee is governed by a written charter. The compensation committee reviews, approves and administers management compensation and executive compensation plans. The compensation committee also administers the Company's 1998 Long-Term Incentive Plans and the Amended and Restated 1999 Long-Term

Incentive Plan. See Compensation Discussion and Analysis on page 7.

The corporate governance and nominating committee, whose members are Ms. Sharpe, chair, and Messrs. Eide and Beinstein, met twice in 2006. The committee is governed by a written charter. This committee assists the board of directors in identifying individuals qualified to become board members and recommends to the board the nominees for election as directors at the next annual meeting of stockholders, develops and recommends to the board the corporate governance guidelines applicable to the Company, and oversees the evaluation of the board and

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management. In recommending candidates for the board, the committee takes into consideration the following criteria established by the board in the Company's corporate governance guidelines:

personal qualities and characteristics, accomplishments and reputation in the business community;

current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;

ability and willingness to commit adequate time to board and committee matters;

the fit of the individual's skills and personality with those of other directors and potential directors in building a board that is effective, collegial and responsive to the needs of the Company; and

diversity of viewpoints, background, experience and other demographics.

The committee also considers such other factors as it deems appropriate, including judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other board members, and the extent to which the candidate would be a desirable addition to the board and any committees of the board. The committee will consider nominees recommended by stockholders, which nominations should be submitted by directing an appropriate letter and resume to the secretary of the Company. If the Company were to receive recommendations of candidates from the Company's stockholders, the committee would consider such recommendations in the same manner as all other candidates.

Corporate Governance Materials

The Company's corporate governance guidelines, code of business conduct and ethics and current copies of the charters of the Company's audit committee, compensation committee, and corporate governance and nominating committee are all available in the investor relations section of the Company's website (www.vectorgrouppltd.com) and are also available in print to any stockholder who requests it.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Objectives

The primary objectives of the Compensation Committee of the board of directors with respect to executive compensation is:

to base management's pay, in part, on achievement of the Company's goals;

to provide incentives to enhance stockholder value;

to provide competitive levels of compensation;

to recognize individual initiative and achievement; and

to assist the Company in attracting talented executives to a challenging and demanding environment and to retain such executives for the benefit of the Company and its subsidiaries.

The Company attempts to achieve these objectives through its compensation plans that tie a substantial portion of the executives' overall compensation to the Company's financial performance. While the Company's executives' compensation is largely the result of negotiated agreement, the Company's compensation philosophy is intended to reward its executives with compensation targeted at market competitive levels, while rewarding outstanding performance with above-average total compensation.

Independent compensation consultants may be retained from time to time for advice and guidance in assessing whether our compensation program is reasonable and competitive. During 2005 and 2006, the Compensation Committee engaged the services of GK Partners as consultants to help the Compensation Committee evaluate the compensation of the Company's Executive Chairman of the Board, Bennett S. LeBow, and its President and

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Chief Executive Officer, Howard M. Lorber, in each instance in connection with the Company entering into an Amended and Restated Employment Agreement, effective January 1, 2006, with these executives, as well as the compensation of the President and Chief Executive of the Company's Liggett and Liggett Vector Brands subsidiaries, Ronald J. Bernstein, in connection with entering into an amended Employment Agreement, effective October 1, 2005, with him. Based on the opinion of GK Partners with respect to Mr. Lorber's, Mr. LeBow's and Mr. Bernstein's compensation, the Compensation Committee believes that the compensation of Mr. Lorber, Mr. LeBow and Mr. Bernstein is reasonable and competitive with the compensation of similarly situated executives.

Compensation arrangements, as reflected in the employment agreements with the Company's executive officers, are usually negotiated on an individual basis between the Chief Executive Officer and each of the other executives. While the Compensation Committee has delegated to the Chief Executive Officer the responsibility of negotiating these employment agreements and his input is given significant consideration by the Compensation Committee, the Compensation Committee and the Board have final authority over all compensation matters.

Compensation Components

The key components of the Company's executive compensation program consist of a base salary, an annual bonus pursuant to the Senior Executive Annual Bonus Plan, and various benefits, including the Company's Supplemental Retirement Plan, the Liggett Vector Brands Inc. 401(k) plan and the use of corporate aircraft by the Executive Chairman and the President and Chief Executive Officer. The employment agreements with the Company's executive officers also provide for severance compensation in the event of termination other than for cause during the term of the agreement or, in certain cases, following a change in control during the term of the agreements.

Prior to 2002, equity and other long-term incentive awards were generally granted on an annual basis to the Company's executive officers pursuant to the 1998 Long-Term Incentive Plan (the "1998 Plan") and the 1999 Amended and Restated Long-Term Incentive Plan (the "1999 Plan" and together with the 1998 Plan, the "Plans"). However, beginning in 2002, with the exception of restricted stock awards to Messrs. Lorber and Bernstein in 2005 and replacement stock options granted to Mr. Bernstein in May 2006, the Company's executive officers have not received awards of stock options, restricted stock awards or other forms of equity compensation. The Compensation Committee has not granted additional equity compensation to our Executive Chairman and President and Chief Executive Officer in recent years, other than the restricted stock grant to Mr. Lorber in 2005, because they currently have a substantial equity interest in the Company. Pursuant to an agreement with the Company dated November 11, 2005, Mr. Bernstein agreed to the cancellation of an option to purchase 319,069 shares of Common Stock at \$30.09 per share granted under the 1999 Plan in September 2001. In connection with such cancellation, the Company agreed after the passage of more than six months and assuming Mr. Bernstein's continued employment with the Company or an affiliate of the Company, to grant Mr. Bernstein another stock option under the 1999 Plan covering 262,500 shares of Common Stock with the exercise price equal to the value of the Common Stock on the grant date of the replacement option. The grant of the replacement options was made in August 2006 at an exercise price of \$16.89.

Base Salary

Base salaries for the Company's executive officers are established based on their core competence in the executive role, experience and contributions to the Company, taking into account competitive market compensation paid by other companies for similar positions. The Compensation Committee believes that executive base salaries should be targeted at competitive levels while rewarding outstanding performance with above-average total compensation. Except for Mr. LeBow's base salary which is fixed for the three-year term of his employment agreement, base salaries are reviewed annually and may be increased from time to time based on the Compensation Committee's review of Company and individual executive performance. Notwithstanding the foregoing, under the terms of their respective employment agreements, the salaries of Messrs. Lorber and Bernstein automatically include cost of living

adjustments.

In connection with becoming Chief Executive Officer, Mr. Lorber's base salary was set at \$2,581,286, effective January 1, 2006, which approximately equaled what his combined base salaries would have been under his prior

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agreements with the Company and New Valley Corporation, its former majority-owned subsidiary. In conjunction with Mr. Kirkland becoming Chief Financial Officer, the Compensation Committee approved an increase to his annual base salary from \$250,000 to \$300,000, effective April 1, 2006.

Effective January 1, 2007, as a result of the cost of living provision, the base salary of Mr. Lorber was increased to \$2,666,727 and the base salary of Mr. Bernstein to \$799,459. In March 2007, as part of the annual compensation review process, the Compensation Committee increased Mr. Kirkland's base salary from \$300,000 to \$350,000, effective January 1, 2007, and did not increase the salaries of the other named executive officers or adjust the target bonus opportunities primarily because these elements of compensation were the result of negotiated employment agreements.

Annual Bonus Plan

The Company's executive officers are eligible to participate in the Senior Executive Annual Bonus Plan (the Bonus Plan), which was adopted by the board of directors in January 2006 and approved by the Company's shareholders in May 2006. Under the Bonus Plan, unless another committee is designated by the Board, the Compensation Committee selects participants in the Bonus Plan, determines the amount of their award opportunities, selects the performance criteria and the performance goals for each year and administers and interprets the Bonus Plan. An eligible executive may (but need not) be selected to participate in the Bonus Plan each year.

No later than 90 days after the commencement of each year (or by such other deadline as may apply under Internal Revenue Code Section 162(m)(4)(C) or the Treasury Regulations thereunder), the Compensation Committee will select the persons who will participate in the Bonus Plan in such year and establish in writing the performance goals for that year as well as the method for computing the amount of compensation which each such participant will be paid if such goals are attained in whole or in part. Such method will be stated in terms of an objective formula or standard that precludes discretion to increase the amount that will be due upon attainment of the goals. The Compensation Committee retains discretion under the Bonus Plan to reduce an award at any time before it is paid. The maximum amount of compensation that may be paid under the Bonus Plan to any participant for any year is \$5 million.

Under the Bonus Plan, the performance goals for any year may be based on any of the following criteria, either alone or in any combination, and on either a consolidated or business unit or divisional level, and may include or exclude discontinued operations, acquisition expenses and restructuring expenses, as the Compensation Committee may in each case determine: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added (as determined by the Compensation Committee), sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on stockholders' equity, cash dividends and/or other distributions, return on assets, return on capital, stockholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, debt, debt reduction, earnings per share, price per share of stock, market share, completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives. Performance goals may be absolute or relative and may be expressed in terms of a progression within a specified range. The foregoing terms shall have any reasonable definitions that the Compensation Committee may specify, which may include or exclude any or all of the following items, as the Compensation Committee may specify: extraordinary, unusual or non-recurring items; effects of changes in tax law, accounting principles or such laws or provisions affecting reported assets; effects of currency fluctuations; effects of financing activities (e.g., effect on earnings per share of issuing convertible debt securities); expenses of restructuring, productivity initiatives or new business initiatives; impairment of tangible or intangible assets; litigation or claim judgments or settlements; non-operating items; acquisition expenses; and effects of asset sales or divestitures. Any of the foregoing criteria may apply to a

participant's award opportunity for any year in its entirety or to any designated portion of the award opportunity, as the Compensation Committee may specify.

Awards may be paid under the Bonus Plan for any year only if and to the extent the participant is continuously employed by us throughout such year. The only exceptions to the continued employment requirement are if employment terminates by reason of death, disability or retirement (as determined by the Compensation

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Committee), in which case a prorated award may be paid after the close of the year in which such termination occurs if the applicable performance goals are met. If a participant's employment terminates for any reason other than death, disability or retirement, any award for the year in which such termination occurs will be forfeited.

All payments pursuant to the Bonus Plan are to be made in cash, only after the Compensation Committee certifies that the performance goals for the year have been satisfied. The Board may terminate the Bonus Plan in whole or in part without stockholder approval at any time. However, no such termination may adversely affect any rights or obligations with respect to awards previously made under the Bonus Plan.

In 2006, each of the Company's executive officers, other than Mr. LeBow, participated in the Bonus Plan. Under the terms of Mr. LeBow's employment agreement, he does not receive bonus compensation. The Bonus Plan performance criteria for 2006, which varied among the participants depending upon the entity that employed the participant, were as follows: (i) for Messrs. Lorber, Lampen and Kirkland, the criteria were adjusted earnings before interest and taxes (Adjusted EBIT) for Liggett, cash distributions to stockholders of the Company and adjusted earnings before interest, taxes and amortization for Douglas Elliman Realty, LLC and (ii) for Mr. Bernstein, the criteria were Adjusted EBIT for Liggett and for Vector Tobacco Inc. Under the terms of their respective employment agreements, for 2006, Messrs. Lorber, Lampen, Kirkland and Bernstein were eligible to receive a target bonus of 100%, 33%, 25% and 50% of their respective base salaries. The Committee may exercise negative discretion with respect to any award to reduce any amount that would otherwise be payable under the Bonus Plan. However, depending on the level of achievement of the performance criteria, the actual amounts of incentive bonuses could also exceed the target bonus amounts. In 2006, the performance goals were set at levels which were believed to be reasonably achievable based on internal corporate plans. The actual bonus payments made to the selected participants for the year ended December 31, 2006 are set forth below in the Summary Compensation Table on page 13.

Supplemental Retirement Plan

The Company's executive officers and certain other management employees are eligible to participate in the Supplemental Retirement Plan, which was adopted by the board of directors in January 2002 to promote retention of key executives and to provide them with financial security following retirement. As described more fully and quantified in the Pension Benefits table on page 19, the Supplemental Retirement Plan provides for the payment to a participant at his normal retirement date of a lump sum amount that is the actuarial equivalent of a single life annuity commencing on that date. The single life annuity amounts for the named executives were determined by the Company's board of directors.

In January 2006, the Company amended and restated its Supplemental Retirement Plan. The amendments to the Supplemental Retirement Plan were intended, among other things, to cause the plan to meet the applicable requirements of the deferred compensation provisions of Section 409A of the Internal Revenue Code. The Supplemental Retirement Plan is intended to be unfunded for tax purposes, and payments under the Supplemental Retirement Plan will be made out of the Company's general assets except that, under the terms of the Company's employment agreement with Mr. LeBow, it agreed during 2006, 2007 and 2008 to pay \$125,000 per quarter into a separate trust for him that will be used to fund a portion of his benefits under the Supplemental Retirement Plan.

Other Benefits

The Company's executive officers are eligible to participate in all of its employee benefit plans, such as medical, dental, vision, group life, disability and accidental death and dismemberment insurance and Liggett Vector Brands 401(k) plan. The Company also provides vacation and other paid holidays to its executive officers, as well as certain other perquisites further described below and in the Summary Compensation Table. Finally, the Company's executive officers are eligible to receive certain payments upon retirement pursuant to the Supplemental Retirement Plan.

Perquisites

The Company provides the perquisites or personal benefits to its executive officers discussed below. The Company's corporate aircraft are made available for the personal use of Messrs. LeBow and Lorber and, at their discretion, other executive officers. The Company has a corporate aircraft policy which permits personal use of corporate aircraft by executives, subject to annual limits on cost of \$200,000 for Mr. LeBow and \$100,000 for

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Mr. Lorber. For purposes of the policy, the value of the personal usage is calculated using the applicable standard industry fare level formula established by the Internal Revenue Service, and Messrs. LeBow, Lorber and any other executive officers pay income tax on such value. In addition, Mr. LeBow is entitled to a \$7,500 personal allowance for lodging and related business expense, and Mr. Lorber is entitled to a car and driver provided by the Company, a \$7,500 per month allowance for lodging and related business expenses and two club memberships. See the Summary Compensation Table for details regarding the value of perquisites received by the named executive officers for the year ended December 31, 2006.

Change in Control Provisions

Each of the employment agreements entered into between the Company and Messrs. LeBow and Lorber contain change in control provisions. The purpose of these provisions is to avoid the distraction and loss of key management personnel that may occur in connection with rumored or actual fundamental corporate changes and to provide adequate protection to key management personnel in the event that their employment is terminated following a change of control. A change in control provision protects stockholder interests by enhancing employee focus during rumored or actual change in control activity through incentives to remain with the Company despite uncertainties while a transaction is under consideration or pending and assurance of severance and benefits for terminated executives. A detailed summary of these provisions is set forth under the heading *Payments Made Upon a Change in Control* on page 21.

Dividend Equivalents

Under the terms of various stock option grants made to the Company's named executive officers under the Plans, dividend equivalent payments are made to the executive officers with respect to the shares of Common Stock underlying the unexercised portion of the options. These payments are made at the same rate as dividends paid on the Company's issued and outstanding shares of Common Stock. Named executive officers received payments for such dividend equivalent rights on options for 2006 as follows: Mr. LeBow \$4,290,215; Mr. Lorber \$1,602,366; Mr. Lampen \$217,093; Mr. Kirkland \$97,687; and Ms. Van Sieten \$32,560. In accordance with the rules of the SEC, these amounts have not been included in the Summary Compensation Table because the dividend equivalent rights were included in the initial fair value of the underlying options grants.

Inter-Relationship of Elements of Compensation Packages

The various elements of the compensation package for the Company's executive officers are not inter-related. For example, if it does not appear as though the target bonus will be achieved, the number of options that will be granted is not affected. There is no significant interplay of the various elements of total compensation between each other. If options that are granted in one year become underwater due to a decrease in the Company's stock price, the amount of the bonus amount or compensation to be paid the executive officer for the next year is not impacted. Similarly, if options become extremely valuable due to a rising stock price, the amount of compensation or bonus to be awarded for the next year is not affected. While the Compensation Committee has discretion to make exceptions to any compensation or bonus payouts under the Bonus Plan, it has not approved any exceptions to the Bonus Plan with regard to any executive officers. The Compensation Committee exercised negative discretion in determining not to pay a bonus to Mr. Bernstein for failure to meet one of the performance criteria established for him by the Compensation Committee under the Bonus Plan in 2006.

Employment Agreements

In January 2006, the Company negotiated and entered into employment agreements with Messrs. Lorber, Lampen and Kirkland, which replaced existing agreements with the Company or New Valley Corporation, its former

majority-owned subsidiary. In addition, Mr. LeBow's employment agreement, which was entered into in September 2005, was amended in January 2006, and Mr. Bernstein entered into an amended employment agreement in November 2005. In exchange for the benefits offered under the agreements, these executives have agreed not to engage in competitive activities or to interfere with the Company's business relations for specified periods following the termination of their employment. A summary of the employment agreements is set forth under the heading Employment Agreements and Severance Arrangements on page 14.

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Tax and Accounting Implications

Deductibility of Executive Compensation

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which generally provides that no publicly held company may deduct compensation in excess of \$1,000,000 paid in any taxable year to its chief executive officer or any of its four other highest paid officers unless:

the compensation is payable solely on account of the attainment of performance goals;

the performance goals are determined by a compensation committee of two or more outside directors;

the material terms under which compensation is to be paid are disclosed to and approved by the stockholders of the Company; and

the compensation committee certifies that the performance goals were met.

In certain situations, the Compensation Committee has in the past and may in the future approve compensation that will not meet these deductibility requirements in order to ensure competitive levels of total compensation for our executive officers. In this regard, for fiscal 2006, the amount of base salary and restricted stock in excess of \$1,000,000 for any named executive officer was not deductible for federal income tax purposes.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, the Company began accounting for stock-based payments including stock option and restricted stock awards under the Plans in accordance with the requirements of SFAS 123(R).

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussion, has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Robert J. Eide, Chairman

Henry C. Beinstein

Jeffrey S. Podell

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table below summarizes the compensation of the named executive officers for the year ended December 31, 2006. The named executive officers are the Company's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers ranked by their total compensation in the table below (not taking into account the amount in the Change in Pension Value and Nonqualified Deferred Compensation Earnings). Effective April 1, 2006, Mr. Kirkland, who had previously served as a Vice President, became Chief Financial Officer and Treasurer. Mr. Kirkland succeeded Ms. Joselynn Van Siclen, who resigned as Chief Financial Officer and Treasurer, effective March 31, 2006, and retired from the Company on June 30, 2006. Ms. Van Siclen's compensation for 2006 is also included below.

Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive	Change in Pension Value and Nonqualified	All Other Compensation (\$)	
						Plan Compensation (\$)(3)	Deferred Compensation Earnings (\$)(4)		
Chairman of the	2006	\$ 3,950,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,500,000	\$ 335,127(5)	\$
Chief Executive	2006	\$ 2,581,286	\$ 0	\$ 2,987,458	\$ 0	\$ 2,581,286	\$ 2,100,000	\$ 264,274(6)	\$
Vice President	2006	\$ 750,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 190,000	\$ 6,600(7)	\$
Chief Financial Officer and Treasurer	2006	\$ 287,500	\$ 0	\$ 0	\$ 0	\$ 75,000	\$ 40,000	\$ 6,600(7)	\$
Chief Executive	2006	\$ 776,400	\$ 0	\$ 254,375	\$ 59,444(2)	\$ 0	\$ 301,580	\$ 12,001(8)	\$
President and Chief Financial Officer	2006	\$ 86,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,096(9)	\$

(1) Reflects actual base salary amounts paid for 2006.

(2) Represents the dollar amount recognized for financial statement reporting purposes (excluding forfeitures) for the year ended December 31, 2006, in accordance with SFAS 123(R) for the grant of options under the 1999 Plan, rather than an amount paid to or realized by the named executive officer. Assumptions used in the calculation of such amount are included in note 11 to the Company's audited financial statements for the year

ended December 31, 2006 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2007. The SFAS 123(R) value as of the grant date for options is spread over the number of months of service required for the grant to become non-forfeitable. The SFAS 123(R) amounts from these grants may never be realized by the named executive officer.

- (3) These amounts reflect cash awards under the Bonus Plan paid during 2007 in respect of service performed in 2006. This plan is discussed in further detail on page 9 under the heading "Annual Bonus Plan".
- (4) Amounts shown are solely an estimate of the increase in actuarial present value of the named executive officer's accrued benefit at the latter of age 60 during active service or the completion of eight years of full-time continuous service under the Company's pension plans for 2006. Assumptions are further described under the Pension Benefits at 2006 Fiscal Year End table on page 21. The amounts reflect the actuarial increase in the present value of the named executive officer's benefits under the Supplemental Retirement Plan determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements. Except in the case of Mr. LeBow, no amount is payable from this plan before a participant attains the latter of age 60 during active service or the completion of eight years of full-time continuous service (except in the case of death, disability or termination without cause). There can be no assurance that the amounts shown will ever be realized by the named executive officers. For Mr. Bernstein, the reported amount also includes \$1,580 in connection with Liggett Group Inc. Retirement Plan for Salaried Non-Bargaining Unit Employees (the Qualified Plan).

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- (5) Represents \$238,527 for personal use of corporate aircraft, a \$90,000 allowance paid to an entity affiliated with him for lodging and related business expenses and \$6,600 for 401(k) plan matching contributions.*
- (6) Represents \$167,674 for personal use of corporate aircraft, a \$90,000 allowance for lodging and related business expenses and \$6,600 for 401(k) plan contributions.*
- (7) Represents 401(k) plan matching contributions.
- (8) Represents \$5,401 for personal use of corporate aircraft, and \$6,600 for 401(k) contributions.*
- (9) Includes \$3,846 for 401(k) plan matching contributions and \$86,250 of retirement payments. In connection with her retirement, Ms. Van Siclen is entitled to continue to receive her base salary (\$172,500) for a two-year period ending June 30, 2008. In connection with Internal Revenue Code Section 409A, the \$86,250 of retirement payments were deferred and paid, along with interest of \$1,742, on January 5, 2007.

* For purposes of determining the value of corporate aircraft use, the personal use is calculated based on the aggregate incremental cost to the Company. For flights on corporate aircraft, aggregate incremental cost is calculated based on a cost-per-flight-mile charge developed by a nationally recognized and independent service as reflective of the operating costs of the aircraft.

Employment Agreements and Severance Arrangements

On September 27, 2005, Mr. Lorber was named Chief Executive Officer of the Company and Mr. LeBow was named Executive Chairman of the Board. These new appointments were effective January 1, 2006.

In connection with the foregoing, on September 27, 2005, the Company and Mr. LeBow entered into an Amended and Restated Employment Agreement (the "Amended LeBow Agreement"), under which Mr. LeBow has agreed to serve as the Executive Chairman of the Board of the Company from January 1, 2006 through December 30, 2008, unless his employment is terminated earlier in accordance with the Amended LeBow Agreement. The Amended LeBow Agreement replaced his prior employment agreements with the Company and with New Valley Corporation. The Amended LeBow Agreement provides that Mr. LeBow will receive an annual salary of \$3,950,000. Following termination of Mr. LeBow's employment or his retirement, Mr. LeBow shall be subject to certain non-competition, non-hire, and other provisions in favor of the Company. The Amended LeBow Agreement provides Mr. LeBow will be treated as having reached normal retirement date under the Company's Supplemental Retirement Plan if he is employed through December 30, 2008. In addition, the Company has agreed to establish a separate trust for Mr. LeBow that is not subject to the claims of the Company's creditors and shall make a contribution to such trust of \$125,000 per quarter during each year of the employment term, and a proportional part of each payment to Mr. LeBow under the Supplemental Retirement Plan will be made from the assets of such trust. During the period of his employment, Mr. LeBow will be entitled to various benefits including a \$7,500 per month allowance for lodging and related business expenses and use of corporate aircraft in accordance with the Company's Corporate Aircraft Policy. In addition, for a period of five years following such retirement, Mr. LeBow will be required to provide consulting services and advice to the Company for up to 15 days per year, for which he will be paid a daily fee of \$17,000.

On January 27, 2006, the Company and Howard M. Lorber entered into an Amended and Restated Employment Agreement (the "Amended Lorber Agreement"), which replaced his prior employment agreements with the Company and with New Valley Corporation. The Amended Lorber Agreement has an initial term of three years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of

non-extension is given by either party within 60 days before this date. As of January 1, 2007, Mr. Lorber's annual base salary was \$2,666,727. Mr. Lorber's salary is subject to an annual cost of living adjustment. In addition, the Company's board must periodically review his base salary and may increase but not decrease it from time to time in its sole discretion. Mr. Lorber will be eligible on an annual basis to receive a target bonus of 100% of his base salary under the Bonus Plan. During the period of his employment, Mr. Lorber will be entitled to various benefits, including a Company-provided car and driver, a \$7,500 per month allowance for lodging and related business expenses, two club memberships and dues, and use of corporate aircraft in accordance with the Company's Corporate Aircraft Policy. Following termination of his employment by the Company without cause (as defined in the Amended Lorber Agreement), termination of his employment by him for certain reasons specified in the Amended Lorber Agreement or upon death or disability, he (or his beneficiary in the case of death)

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would continue to receive for a period of 36 months following the termination date his base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, all of Mr. Lorber's outstanding equity awards would be vested with any stock options granted after January 27, 2006 remaining exercisable for no less than two years or the remainder of the original term if shorter. Following termination of his employment for any of the reasons described above (other than death or disability) within two years of a change in control (as defined in the Amended Lorber Agreement), he would receive a lump sum payment equal to 2.99 times the sum of his then current base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, Mr. Lorber is indemnified against excise taxes that are imposed on change-of-control payments under Section 4999 of the Internal Revenue Code of 1986. In the event of a termination of his employment under the circumstances where he is entitled to the severance payments discussed above, Mr. Lorber will also be credited with an additional 36 months of service under the Company's Supplemental Retirement Plan.

On January 27, 2006, the Company entered into Employment Agreements (the "Other Executive Agreements") with Richard J. Lampen, the Company's Executive Vice President, and J. Bryant Kirkland III, the Company's Vice President and, effective April 1, 2006, Chief Financial Officer. The Other Executive Agreements replaced prior employment agreements with the Company or New Valley Corporation. The Other Executive Agreements have an initial term of two years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. As of January 1, 2007, the annual base salaries provided for in these Other Executive Agreements were \$750,000 for Mr. Lampen and \$350,000 for Mr. Kirkland (increased from \$300,000 in March 2007, effective as of January 1, 2007). In addition, the Company's board must periodically review these base salaries and may increase but not decrease them from time to time in its sole discretion. These executives will be eligible to receive a target bonus of 33.3% for Mr. Lampen, and 25% for Mr. Kirkland, of their base salaries under the Bonus Plan. Following termination of their employment by the Company without cause (as defined in the Other Executive Agreements), termination of their employment by the executives for certain reasons specified in the Other Executive Agreements or upon death or disability, they (or their beneficiaries in the case of death) would continue to receive for a period of 24 months following the termination date their base salary and the bonus amount earned by them for the prior year (with such bonus amount limited to 33.3% of base salary for Mr. Lampen and 25% of base salary for Mr. Kirkland).

Effective April 1, 2006, Joselynn D. Van Siclen resigned as Chief Financial Officer of the Company and retired from the Company on June 30, 2006. On January 27, 2006, the Company and Ms. Van Siclen entered into an Executive Retirement Agreement and Release, whereby she will continue to receive her base salary of \$172,500 and other of her current benefits for a two-year period following the termination of her employment.

On November 11, 2005, Liggett, a wholly-owned subsidiary of the Company, and Ronald J. Bernstein entered into an Employment Agreement (the "Bernstein Employment Agreement"), pursuant to which Mr. Bernstein will continue to serve as President and Chief Executive Officer of Liggett and affiliated companies. The Bernstein Employment Agreement has an initial term expiring December 31, 2008, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within six months before this date. As of January 1, 2007, Mr. Bernstein's annual base salary was \$799,459. Mr. Bernstein's salary is subject to an annual cost of living adjustment. Under the terms of the Bernstein Employment Agreement, Mr. Bernstein received a \$500,000 special bonus from Liggett within 10 days of execution of the Bernstein Employment Agreement and is eligible on an annual basis to receive a bonus of up to 100% of his base salary under the Bonus Plan predicated on Liggett and Vector Tobacco meeting certain pre-established operating goals. Following termination of his employment without cause, he would continue to receive his base salary for a period of 24 months.

On November 11, 2005, Mr. Bernstein agreed to the cancellation of an option to purchase 319,069 shares of the Company's common stock at \$30.09 per share granted under the 1999 Plan in September 2001. In this regard,

Mr. Bernstein and the Company entered into an agreement, in which the Company, in accordance with the 1999 Plan, agreed after the passage of more than six months and assuming Mr. Bernstein's continued employment with the Company or an affiliate of the Company, to grant Mr. Bernstein another stock option under the 1999 Plan covering 262,500 shares of the Company's Common Stock with the exercise price equal to the value of the Common Stock on the grant date of the replacement option. The grant of the replacement option was made in August 2006 with an exercise price of \$16.89.

Table of Contents**Restricted Stock Awards**

On January 10, 2005, New Valley Corporation awarded Mr. Lorber, the President and Chief Operating Officer of New Valley Corporation, who also served in the same positions with the Company, a restricted stock grant of 1,250,000 shares of New Valley Corporation's common shares pursuant to New Valley Corporation's 2000 Long-Term Incentive Plan. Under the terms of the award, one-seventh of the shares vested on July 15, 2005, with an additional one-seventh vesting on each of the five succeeding one-year anniversaries of the first vesting date through July 15, 2010 and an additional one-seventh vesting on January 15, 2011. In the event his employment with New Valley Corporation was terminated for any reason other than his death, his disability or a change of control of New Valley Corporation or the Company, any remaining balance of the shares not previously vested would be forfeited by him. On September 27, 2005, in connection with Mr. Lorber's election as Chief Executive Officer of the Company, he renounced and waived, as of that date, the unvested 1,071,429 common shares deliverable by New Valley Corporation to him in the future.

On September 27, 2005, Mr. Lorber was awarded a restricted stock grant of 525,000 shares of the Company's Common Stock and, on November 16, 2005, Mr. Lorber was awarded an additional restricted stock grant of 82,498 shares of the Company's Common Stock, in each case, pursuant to the Company's 1999 Plan. In connection with the grants, the Company entered into separate Restricted Share Award Agreements with Mr. Lorber on those dates. Pursuant to the Restricted Share Agreements, one-fourth of the shares vest on September 15, 2006, with an additional one-fourth vesting on each of the three succeeding one-year anniversaries of the first vesting date through September 15, 2009. In the event Mr. Lorber's employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in the Restricted Share Agreements) of the Company, any remaining balance of the shares not previously vested will be forfeited by Mr. Lorber. These restricted stock awards by the Company replaced the unvested portion of the New Valley Corporation restricted stock grant relinquished by Mr. Lorber. The number of restricted shares of the Company's Common Stock awarded to Mr. Lorber by the Company (607,498 shares) was the equivalent of the number of shares of the Company's Common Stock that would have been issued to Mr. Lorber had he retained his unvested New Valley Corporation restricted shares and those shares were exchanged for the Company's Common Stock in the exchange offer and subsequent merger whereby the Company acquired the remaining minority interest in New Valley Corporation in December 2005.

On November 11, 2005, Mr. Bernstein was awarded a restricted stock grant of 52,500 shares of the Company's Common Stock pursuant to the 1999 Plan, in connection with the grant, the Company entered into a Restricted Share Award Agreement with Mr. Bernstein on that date. Pursuant to his Restricted Share Agreement, one-fourth of the shares vest on November 1, 2006, with an additional one-fourth vesting on each of the three succeeding one-year anniversaries of the first vesting date through November 1, 2009. In the event Mr. Bernstein's employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in his Restricted Share Agreement) of the Company, any remaining balance of the shares not previously vested will be forfeited by Mr. Bernstein.

Table of Contents**Grants of Plan-Based Awards**

The table below provides information with respect to stock options, restricted stock awards and non-equity incentive compensation granted to each of the named executive officers for the year ended December 31, 2006. There can be no assurance that the Grant Date Fair Value of Stock and Option Awards will ever be realized by the individual. The amount of these awards that were expensed is shown in the Summary Compensation Table on page 13.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards	Estimated Future Payouts Under All Other Stock Awards	Number of Securities Underlying Stock Options	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum					
Bennett S. LeBow		\$ 0	\$ 0	\$ 0					
Howard M. Lorber		\$ 0	\$ 2,581,286	\$ 3,226,607					
Richard J. Lampen		\$ 0	\$ 250,000	\$ 300,000					
J. Bryant Kirkland III		\$ 0	\$ 75,000	\$ 93,750					
Ronald J. Bernstein	8/16/06	\$ 0	\$ 388,200	\$ 776,400			262,500	\$ 16.89	\$ 535,559(2)
Joselynn Van Siclen		\$ 0	\$ 0	\$ 0					

(1) The amounts shown below represent the target level under the Bonus Plan, which is 100% of base salary for Messrs. Lorber and Bernstein, 33.3% of base salary for Mr. Lampen and 25% of base salary for Mr. Kirkland. The maximum amount is 125% of the target amount for Messrs. Lorber, Lampen and Kirkland and 200% of the target amount for Mr. Bernstein. There is no minimum amount. The Compensation Committee approved the

performance criteria for determining the award opportunities for each named executive officer under the Bonus Plan on March 6, 2006. The actual bonus amounts paid for 2006 are reflected in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table on page 13.

- (2) Represents the dollar amount recognized for financial statement reporting purposes for the grant of options under the Company's 1999 Plan in the year ended December 31, 2006, in accordance with SFAS 123(R). Assumptions used in the calculation of such amount are included in note 11 to the Company's audited financial statements for the fiscal year ended December 31, 2006 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2007. Pursuant to an amended employment agreement dated November 11, 2005, Mr. Bernstein agreed to the cancellation of an option to purchase 319,069 shares of Common Stock at \$30.09 per share granted under the 1999 Plan in September 2001. In connection with such cancellation, the Company agreed that, after the passage of more than six months and assuming Mr. Bernstein's continued employment with the Company or an affiliate of the Company, to grant Mr. Bernstein another stock option under the 1999 Plan covering 262,500 shares of Common Stock with the exercise price equal to the value of the Common Stock on the grant date of the replacement option. The grant of the replacement option was made on August 14, 2006 with a exercise price of \$16.89.

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The table below provides information with respect to the outstanding equity awards of the named executive officers as of December 31, 2006, including exercisable option awards granted under the Plans.

OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END

		Option Awards	Stock Awards	
			Equity Incentive Plan	Equity Incentive Plan Awards: Market or Payout Value of
Number of	Number of	Equity Incentive Plan Awards:	Number of	Value of