VECTOR GROUP LTD
Form DEF 14A
April 12, 2013
Table of Contents

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 R
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

R Definitive Proxy Statement
o Definitive Additional Materials
o 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):
R No fee required.
o 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:

(5) Total fee paid:

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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT
INTRODUCTION
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
BOARD PROPOSAL 1 -- NOMINATION AND ELECTION OF DIRECTORS
SUMMARY COMPENSATION TABLE FOR YEARS 2010 - 2012
GRANTS OF PLAN-BASED AWARDS IN 2012
OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2012
OPTION EXERCISES AND STOCK VESTED IN YEAR ENDED DECEMBER 31, 2012
PENSION BENEFITS AT 2012 FISCAL YEAR END
BOARD PROPOSAL 2 -- ADVISORY APPROVAL OF EXECUTIVE COMPENSATION (THE SAY ON PAY VOTE)
BOARD PROPOSAL 3 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM
MISCELLANEOUS
HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Table of Contents

VECTOR GROUP LTD.
100 S.E. Second Street
Miami, Florida 33131
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 28, 2013
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 Miami Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Tuesday, May 28, 2013 at 11:00 a.m., 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 hold an advisory vote on executive compensation (the "say on pay vote");
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the year ending December 31, 2013; and
4. 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 2, 2013 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 May 14, 2013 to May 28, 2013, 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, 2012 are enclosed herewith.

By Order of the Board of Directors,
HOWARD M. LORBER
President and Chief Executive Officer

Miami, Florida
April 12, 2013

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.

Table of Contents

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 Miami Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Tuesday, May 28, 2013, at 11:00 a.m., 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 2, 2013 is entitled to notice of the meeting and any adjournments or postponements and to cast, 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 89,898,411 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, 2012 are first being mailed to stockholders on or about April 17, 2013.

Any stockholder who has given 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 Marc N. Bell, 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. A stockholder whose shares are held in a brokerage or bank account will need to obtain a legal proxy from the broker, bank or other intermediary in order to vote at the meeting.

The presence, in person or represented by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock will constitute a quorum for the transaction of business at the annual meeting. The affirmative vote of holders of a majority of the shares represented and entitled to vote is required for the election of each director, for the advisory approval of the say on pay vote and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered certified public accounting firm. Abstentions will have the effect of votes against the advisory say on pay proposal and the ratification of the appointment of our auditors.

Except for the ratification of the auditors, shares that are held by brokers in retail accounts may only be voted if the broker receives voting instructions from the beneficial owner of the shares. Otherwise, the "broker non-votes" may only be counted toward a quorum and, in the broker's discretion, voted regarding the ratification of auditors. Broker non-votes will have no effect on any of the other matters presented at the annual meeting.

All proxies received and not revoked will be voted as directed. If no directions are specified, proxies which have been signed and returned will be voted "FOR" the election of the board's nominees as directors, "FOR" the advisory say on pay vote and "FOR" the ratification of PricewaterhouseCoopers LLP as the Company's independent registered certified public accounting firm.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 shown 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.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class	
Dr. Phillip Frost(1) 4400 Biscayne Boulevard Miami, FL 33137	16,220,918	17.3	%
Bennett S. LeBow(2)(5) 667 Madison Avenue; 14th Floor New York, NY 10065	8,577,441	9.5	%
Jefferies Group Inc. (3) 520 Madison Ave. New York, NY 10022	6,568,719	7.3	%
Howard M. Lorber(4)(5)(6)	3,902,385	4.3	%
Stanley S. Arkin(5)	7,000	(*)	
Henry C. Beinstein(5)(7)	75,808	(*)	
Jeffrey S. Podell(5)	79,693	(*)	
Jean E. Sharpe(5)	80,047	(*)	
Richard J. Lampen(6) (8)	294,684	(*)	
J. Bryant Kirkland III(6)	92,610	(*)	
Marc N. Bell (6)	30,318	(*)	
Ronald J. Bernstein(5)(6)(9)(10)	341,602	(*)	
All directors and executive officers as a group (10 persons)	13,481,588	15.0	%

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

Table of Contents

(1) Based upon a Form 4 filed by Dr. Frost on November 16, 2012, which reports ownership of 12,167,853 shares of Common Stock owned by Frost Gamma Investments Trust, a trust organized under Florida law, and $50 million principal amount of the Company's 6.75% Variable Interest Senior Convertible Note due 2014 held by Frost Nevada Investments Trust, a trust organized under Nevada law. The note is convertible into 4,040,911 shares of Common Stock. Dr. Frost is the sole trustee of Frost Gamma Investments Trust and Frost Nevada Investments Trust. As the sole trustee, Dr. Frost may be deemed the beneficial owner of all shares owned by the trusts, 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 trusts. Includes 12,154 shares owned by Dr. Frost's spouse, as to which shares Dr. Frost disclaims beneficial ownership.

(2) Includes 11,575 shares held directly by Mr. LeBow, 5,427,993 shares of Common Stock held by LeBow Gamma Limited Partnership, a Delaware limited partnership, 3,090,586 shares of Common Stock held by LeBow Epsilon 2001 Limited Partnership, a Delaware limited partnership, and 47,287 shares of Common Stock held by LeBow Alpha LLLP, a Delaware limited liability limited partnership. LeBow 2011 Management Trust, a trust for the benefit of family members, is the managing member of LeBow Holdings LLC, a Delaware limited liability company, which is the sole stockholder of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership. LeBow Epsilon 2001 LLC, a Delaware limited liabilty company, is the general partner of LeBow Epsilon 2001 Limited Partnership, a Delaware limited partnership. Mr. LeBow is trustee of LeBow 2011 Management Trust, a director and officer of LeBow Gamma, Inc. and a manager of LeBow Epsilon 2001 LLC. LeBow Alpha LLLP is the controlling member of LeBow Epsilon 2001 LLC and LeBow Holdings LLC is the general partner of LeBow Alpha LLLP.

(3) Based on an amended Schedule 13F-HR filed on February 15, 2013, which reports ownership of 6,166,081 shares of common stock and $1.232 million principal amount of the Company's 6.75% Variable Interest Senior Convertible Exchange Notes due 2014 (convertible into 87,763 shares of Common Stock), $1.774 million principal amount of the Company's 7.5% Variable Interest Senior Convertible Notes due 2019 (convertible into 95,891 shares of Common Stock and $3.346 million principal amount of the Company's 3.875% Convertible Debentures due 2026 (convertible into 218,984 shares of Common Stock). Jefferies is a subsidiary of Leucadia National Corp. Richard Handler is the Chairman and Chief Executive Officer of Jefferies and the Chief Executive Officer of Leucadia.

(4) Includes 1,055,023 shares of Common Stock held directly by Mr. Lorber, 2,610,031 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership, 237,312 shares held by Lorber Gamma Limited Partnership, a Nevada limited partnership, and 19 shares in an Individual Retirement Account. There are 2,361,176 shares owned by Lorber Alpha II Limited Partnership that are pledged to collateralize a bank line of credit. Mr. Lorber exercises sole voting power and sole dispositive power over the shares of Common Stock held by the partnerships and by himself. Lorber Alpha II, Inc., a Nevada corporation, is the general partner of Lorber Alpha II Limited Partnership. Lorber Gamma, Inc., a Nevada corporation, is the general partner of Lorber Gamma Limited Partnership. Mr. Lorber is a director, officer and controlling shareholder of each of Lorber Alpha II, Inc. and Lorber Gamma, Inc. Mr. Lorber disclaims beneficial ownership of 16,754 shares of Common Stock held by Lorber Charitable Fund, which are not included. Lorber Charitable Fund is a New York not-for-profit corporation, of which family members of Mr. Lorber serve as directors and executive officers.

(5) The named individual is a director of the Company.

(6) The named individual is an executive officer of the Company.

(7) Includes 627 shares beneficially owned by Mr. Beinstein's spouse, as to which shares Mr. Beinstein disclaims beneficial ownership.

(8) Includes 46,000 shares held by Mr. Lampen's spouse, as to which Mr. Lampen disclaims beneficial ownership.

(9) Includes 274,598 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of the record date.

(10) The named individual is an executive officer of the Company's subsidiaries Liggett Vector Brands LLC and Liggett Group LLC.

3

Table of Contents

BOARD PROPOSAL 1 — 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 2013 annual meeting. Seven directors are to be elected at the 2013 annual meeting to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified or until their earlier resignation or removal.

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 affirmative vote of a majority of the shares represented at the annual meeting and entitled to vote on the election of directors is required to elect each director.

The Board of Directors 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	75	Chairman of the Board; Private Investor
Howard M. Lorber	64	President and Chief Executive Officer
Ronald J. Bernstein	60	President and Chief Executive Officer, Liggett Group LLC and Liggett Vector Brands LLC
Stanley S. Arkin	75	Founding and Senior Partner, Arkin Solbakken LLP and Chairman of The Arkin Group LLC
Henry C. Beinstein	70	Partner, Gagnon Securities LLC
Jeffrey S. Podell	72	Private Investor
Jean E. Sharpe	66	Private Investor

Table of Contents

Business Experience and Qualifications of Nominees

The Company believes that the combination of the various qualifications, skills and experiences of its directors contribute to an effective and well-functioning board and that individually and, as a whole, the directors possess the necessary qualifications to provide effective oversight of the business, and provide quality advice to the Company's management. Details regarding the experience and qualifications of the directors are set forth below.

Bennett S. LeBow is the Chairman of the Company's Board of Directors and has been a director of the Company since October 1986. Mr. LeBow, currently a private investor, served as Executive Chairman from January 2006 until his retirement on December 30, 2008 and served as Chairman of the Board of Directors of Borders Group Inc. from May 2010 until January 2012 and Chief Executive Officer of Borders Group Inc. from June 2010 until January 2012. In February 2011, Borders Group Inc. filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code. He served as the Chairman and Chief Executive Officer of the Company from June 1990 to December 2005. 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. Mr. LeBow's pertinent experience, qualifications, attributes and skills include his decades of experience as an investor and the knowledge and experience in the cigarette industry he has attained through his service as the Company's Chief Executive Officer from 1990 to 2005 and as Chairman of the Board since 1990.

Howard M. Lorber has been President and Chief Executive Officer of the Company since January 2006. He served as President and Chief Operating Officer of the Company from January 2001 to December 2005 and has served as a director of the Company since January 2001. From November 1994 to December 2005, Mr. Lorber served as President and Chief Operating Officer of New Valley, where he also served as a director. Mr. Lorber was Chairman of the Board 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. He has also served as 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; Chairman of the Board of Ladenburg Thalmann Financial Services from May 2001 to July 2006 and Vice Chairman since July 2006. Mr. Lorber was a Director of Borders Group Inc. from May 2010 until January 2012 and has been a director since 1991 of United Capital Corp., a real estate investment and diversified manufacturing company, which ceased to be a public reporting company in 2011. He is also a trustee of Long Island University.

Ronald J. Bernstein has served as President and Chief Executive Officer of Liggett Group LLC since September 1, 2000 and of Liggett Vector Brands LLC 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. Mr. Bernstein's pertinent experience, qualifications, attributes and skills include the knowledge and experience in the cigarette industry he has attained through his employment by our tobacco and real estate subsidiaries since 1991.

Stanley S. Arkin has been a director since November 2011. Mr. Arkin is the founding member and the senior partner of the law firm of Arkin Solbakken LLP and is Chairman of The Arkin Group, a private intelligence agency. Mr. Arkin was a member of the Board of Directors of Authentic Fitness Corp from 1995 to 1998. He is a member of the Council on Foreign Relations, and has served on or chaired numerous committees in other professional organizations, such as the American College of Trial Lawyers, the Judicial Conference of the State of New York, the Association of the Bar of the City of New York, the American Bar Association, the New York State Bar Association, and the New York County Lawyers Association. Mr. Arkin's pertinent experience, qualifications, attributes and skills include his managerial experience, financial literacy and the knowledge and experience he has attained through his career in the legal profession as well as his service as a director of a publicly-traded corporation.

Table of Contents

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 FINRA member firm, 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 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. and Castle Brands Inc. Mr. Beinstein has been licensed as a Certified Public Accountant in the state of New York since 1968. Mr. Beinstein's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience through his years at Coopers & Lybrand, Proskauer Rose LLP, Milbank, Tweed, Hadley & McCloy LLP and Schulte Roth & Zabel LLP, and the knowledge and experience he has attained through his service as a director of the Company and other publicly-traded corporations.

Jeffrey S. Podell has been a director of the Company since November 1993 and is a private investor. Mr. Podell also serves as a director of Ladenburg Thalmann Financial Services Inc. Mr. Podell was a member of the New York State Bar Association from 1965 until March 2010. Mr. Podell's pertinent experience, qualifications, attributes and skills include managerial experience and the knowledge and experience he has attained through his service as a director of the Company and other publicly-traded corporations.

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. Ms. Sharpe has been a member of the New York State Bar Association since 1979. Ms. Sharpe's pertinent experience, qualifications, attributes and skills include the knowledge and managerial experience she has attained as serving as our general counsel from 1988 until 1993 and her service as a director of the Company.

Board of Directors and Committees

The board of directors, which held eight meetings in 2012, currently has seven members. Each director attended at least 75% of the aggregate number of meetings of the board and of each committee on which the director served as a member, during such period. To ensure free and open discussion and communication among the independent directors of the board, the independent 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 Company's Corporate Governance Guidelines provide that the board shall be free to choose its chair in any way it deems best for the Company at any time. The board believes that it is desirable to have the flexibility to decide whether the roles of Chairman of the Board and Chief Executive Officer should be combined or separate in light of the Company's circumstances from time to time. The roles of Chief Executive Officer and Chairman of the Board are presently held by two different directors. The Chief Executive Officer is responsible for setting the strategic direction of the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, reviews the agenda for board meetings and presides over meetings of the full board.

The board of directors oversees the risks that could affect the Company through its committees and reports of officers responsible for particular risks within the Company.

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. The board has determined that the Company's non-employee directors (Stanley S. Arkin, Henry C. Beinstein, Bennett S. LeBow, Jeffrey S. Podell and Jean E. Sharpe) have no material relationship with the Company and meet the New York Stock Exchange listing standards for independence. 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 presently Messrs. LeBow, chairman and Lorber, did not meet in 2012. 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.

Table of Contents

The audit committee, whose members are presently Messrs. Beinstein, chairman, and Podell and Ms. Sharpe, met 12 times in 2012. The committee is governed by a written charter which requires that it discuss policies and guidelines to govern the process by which risk assessment and risk management are handled and that it meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which such risks are being monitored and controlled. Accordingly, in addition to its other duties, the audit committee periodically reviews the Company's risk assessment and management, including in the areas of legal compliance, internal auditing and financial controls. In this role, the audit committee considers the nature of the material risks the Company faces, and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks and receives reports from management and other advisors. Although the board's primary risk oversight has been assigned to the audit committee, the full board also receives regular reports from members of senior management on areas of material risk to the Company, including operational, financial, competitive and legal risks. In addition to an ongoing compliance program, the board encourages management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations. The Company's board of directors and its audit committee regularly discuss with management the Company's major risk exposures, their potential financial impact on the Company, and the steps (both short-term and long-term) the Company takes to manage them. The audit committee oversees the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes and risks related thereto; the audit committee 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" on page 28. 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 New York Stock Exchange and 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 presently Messrs. Podell, chairman, and Beinstein, and Ms. Sharpe, met six times in 2012. The committee is governed by a written charter. The compensation committee is responsible for risks relating to employment policies and the Company's compensation and benefits systems. To aid the compensation committee with its responsibilities, the compensation committee retains an independent consultant, as necessary, to understand the implications of compensation decisions being made. See "Compensation Discussion and Analysis" beginning on page 9 for a discussion of the consulting services provided to the compensation committee by GK Partners. The compensation committee has assessed the independence of GK Partners pursuant to Securities and Exchange Commission and New York Stock Exchange rules and concluded that GK Partners' work for the compensation committee does not raise any conflict of interest. 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 Plan, the Amended and Restated 1999 Long-Term Incentive Plan and the Senior Executive Incentive Compensation Plan. See "Compensation Discussion and Analysis" on page 9. In March 2009, the compensation committee formed a Performance-Based Compensation Subcommittee (the "Subcommittee"), consisting of Messrs. Beinstein and Podell, and delegated to the Subcommittee the authority to grant compensation to executive officers that is intended to qualify as "performance-based compensation" exempt from the $1 million deduction limitation of Section 162(m) of the Internal Revenue Code. The Subcommittee administers the participation of named executive officers in the Senior Executive Incentive Compensation Plan.

The corporate governance and nominating committee, whose members are presently Ms. Sharpe, chair, and Messrs. Arkin and Beinstein, met two times in 2012. The committee is governed by a written charter. This committee is responsible for the oversight of risks relating to the management and board succession planning. The 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 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 does not assign specific weights to particular criteria and no particular criteria is necessarily applicable to

Table of Contents

all nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities. The committee will consider nominees recommended by stockholders, which nominations should be submitted by directing an appropriate letter and resume to Marc N. Bell, the secretary of the Company, 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. 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, Equity Retention and Hedging Policy 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.vectorgroupltd.com/invest.asp) and are also available in print to any stockholder who requests it.

Table of Contents

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 are:

- 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 compensation of the Company's executives is largely the result of negotiated agreements, which are reviewed annually, the Company's compensation philosophy is intended to reward its executives with competitive compensation, while rewarding outstanding performance with above-average total compensation.

Independent compensation consultants may be retained by the compensation committee from time to time for advice and guidance in assessing whether our compensation program is reasonable and competitive. In that capacity, GK Partners has, in the past, provided opinions as to the reasonableness and competitiveness of the employment agreements with Messrs. Lorber and Bernstein, an amendment to the Company's Supplemental Retirement Plan and the amounts and terms of restricted stock and option awards. The compensation committee engaged GK Partners to render advice as to the acceleration of Mr. Lorber's restricted stock vesting in December 2012, the drafting of the Vector Group Ltd. Equity Retention and Hedging Policy, which was adopted in January 2013, and the award of options in February 2013. See "Equity Compensation" on page 11. GK Partners only provides services to the compensation committee.

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.

Most Recent Say on Pay Vote Results

At the 2012 annual meeting of stockholders, the Company held its second stockholder advisory (say on pay) vote on the compensation of its named executive officers. The Company considered the results of the 2012 vote and noted the percentage of "FOR" votes had increased by 10 points from the 2011 annual meeting. The Company believes that its core compensation practices closely align pay and performance and has continued to apply the same principles and philosophy as it has applied in previous years.

Compensation Components

The key components of the Company's executive compensation program consist of a base salary, an annual performance-based bonus pursuant to the Senior Executive Incentive Compensation Plan (the "Bonus Plan"), equity awards under the 1999 Amended and Restated Long-Term Incentive Plan (the "1999 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 President and Chief Executive Officer. The employment agreements with the Company's named 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.

Table of Contents

Base Salary

Base salaries for the Company's named executive officers are established based on their overall business experience and managerial competence in their respective executive roles, as well as their personal contributions to the Company and are intended to provide a competitive level of fixed compensation. The compensation committee believes that executive base salaries should be targeted at competitive levels while rewarding long-term outstanding performance with above-average total compensation. Base salaries are reviewed annually, based on recommendations by the Company's Chief Executive Officer with respect to the salaries of executive officers other than himself, and may be increased from time to time based on review of Company and individual executive performance. Automatic cost of living adjustments to base salary are included under the terms of the employment agreements of Messrs. Lorber and Bernstein.

Effective January 1, 2013, as a result of the cost of living provision, the base salary of Mr. Lorber was increased to $3,055,482 and the base salary of Mr. Bernstein was increased to $908,719. The compensation committee did not adjust the salaries of the other named executive officers in 2013 as part of the annual compensation review process.

Annual Incentive Bonus Awards

The Company's executive officers are eligible to participate each year in the Bonus Plan which was adopted by the board of directors in January 2012, and approved by the Company's stockholders at the annual meeting in May 2012. 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. The compensation committee delegated to the Subcommittee, consisting of Messrs. Beinstein and Podell, the authority to grant compensation to executive officers under the Bonus Plan that is intended to qualify as "performance-based compensation" exempt from the $1 million deduction limitation of Section 162(m) of the Internal Revenue Code.

In 2012, each of the Company's named executive officers participated in the Bonus Plan. The Bonus Plan performance criteria for 2012 varied among the participants depending upon the entity that employed the participant. For Messrs. Lorber, Lampen, Kirkland and Bell, the criteria were based, as in 2011: 37.5% on adjusted earnings before interest and taxes, or Adjusted EBIT, of Liggett; 37.5% on distributions to stockholders of the Company; and 25% on adjusted earnings before interest, taxes and amortization, or Adjusted EBITA, of Douglas Elliman Realty, LLC. For Mr. Bernstein, 100% is based on Liggett Adjusted EBIT. These measures were chosen because Adjusted EBIT is commonly used as a measure of performance in the tobacco industry and Adjusted EBITA is commonly used to measure performance in the real estate brokerage industry and are, in each case, the drivers of the business and stockholder value in those industries.

Under the terms of their respective employment agreements, for 2012, Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein were eligible to receive a target bonus of 100%, 50%, 25%, 25% and 100% of their respective base salaries. Mr. Lampen's target bonus opportunity for 2012 was increased in February 2012 from 33.33% to 50% of his base salary, and his employment agreement was amended accordingly, in recognition of his contributions to the management of the Company, including with respect to its investments, and his service as Chief Executive Officer of Ladenburg Thalmann Financial Services (8% owned by the Company) and Castle Brands (11% owned by the Company).

Depending on the level of achievement of the performance criteria, the actual amounts of incentive bonuses could also exceed the target bonus amounts (see "Grants of Plan-Based Awards in 2012" on page 17). The Subcommittee may exercise negative discretion with respect to any award to reduce any amount that would otherwise be payable under the Bonus Plan.

The 2012 performance necessary for Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein to receive bonuses at the target level were set at levels which were believed to be reasonably achievable based on internal corporate plans. For Messrs. Lorber, Lampen, Kirkland and Bell, the performance necessary to achieve the minimum, target or maximum bonus in 2012 was as follows:

- percentages of target bonus based on Liggett Adjusted EBIT were $140,500,000 (50%), $168,500,000 (100%), and $176,500,000 and above (125%); the actual Liggett Adjusted EBIT for 2012 were $180,341,000;
- percentages of target bonus based on cash dividends per share of the Company were $1.40 (50%), $1.60 (100%), and $1.80 and above (125%); the actual cash dividends paid in 2012 were $1.60 per share; and,
- percentages of target bonus based on Douglas Elliman Adjusted EBITA were $26,000,000 (50%), $31,000,000 (100%), and $36,000,000 and above (125%); the actual Douglas Elliman Adjusted EBITA for 2012 were $40,575,000.

Based on the actual results of 2012 compared to the established performance criteria, bonuses equal to 115.625% of target bonus amounts were achieved for Messrs. Lorber, Lampen, Kirkland and Bell, and they were awarded bonuses of 115.625% of their respective target bonus amounts.

Table of Contents

For Mr. Bernstein, the performance necessary to achieve the minimum target or maximum bonus in 2012 were as follows:

- percentages of target bonus based on Liggett Adjusted EBIT were $172,200,000 (50%) and $182,200,000 and above (100%); the actual Liggett Adjusted EBIT for 2012 were $180,341,000.

Based on the actual results of 2012 compared to the established performance criteria, 90.705% of Mr. Bernstein's target bonus was achieved, and he was awarded a bonus equal to 90.705% of his base salary.

Bonus amounts for achieving performance criteria in between the amounts listed above are determined by linear interpolation between the higher and lower amounts. The actual performance-based bonus payments made to the selected participants for the years ended December 31, 2010, 2011 and 2012 are set forth in the column labeled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table on page 15.

Long-Term Incentive Award

In January 2011, a long-term incentive award for the five-year period ending December 31, 2015 was made under the Bonus Plan to seven key members of Liggett's management, including Mr. Bernstein, to provide significant incentive to achieve Liggett's five-year plan. The total pool will range from $10 million (if the minimum Liggett Adjusted EBIT performance goal as defined in the long-term incentive award ($1.125 billion for the five-year period ending December 31, 2015) is achieved) to $20 million (if the maximum Liggett Adjusted EBIT performance goal as defined in the long-term incentive award ($1.225 billion for the five-year period ending December 31, 2015) is achieved. Mr. Bernstein is eligible to be paid 50% of the amount earned by the selected group of Liggett executives under this long-term incentive award opportunity. Payments between the minimum and maximum Liggett Adjusted EBIT goals will be determined by linear interpolation. Awards will be paid in cash by March 15, 2016 provided that, at the option of the Subcommittee, up to 50% of the awards may be paid in shares of the Company's Common Stock valued at the average closing price for the 10 trading days preceding the payment date. GK Partners has provided its opinion that the long-term award was reasonable and appropriate in the context of current market practices.

Equity Compensation

Long-term equity compensation is intended to provide a variable pay opportunity that rewards long-term performance by the Company as a whole and serves as a significant incentive to remain with the Company. For several years prior to 2009, no equity awards had been made, as the named executive officers had outstanding awards. Since then, after consultation with GK Partners, awards have been made to replace benefits associated with the options that were exercised before expiring or restricted stock awards that became fully vested.

In April 2009, the President of the Company was awarded a restricted stock grant ("Award Agreement") of 607,754 shares of Vector's common stock pursuant to the 1999 Plan ("Award Shares"). Under the terms of the Award Agreement, one-fifth of the shares vest each year beginning on September 15, 2010. In the event that his employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in this Restricted Share Agreement) of the Company, any remaining balance of the shares not previously vested will be forfeited by him. The fair market value of the restricted shares on the date of grant was $6,467,250 and this amount has been amortized over the vesting period as compensation expense.

On December 11, 2012, the compensation committee of the Board of Directors of the Company approved an acceleration of the vesting to December 11, 2012 of an aggregate of 243,101 shares of restricted stock that were previously scheduled to vest in equal parts on September 15, 2013 and September 15, 2014. It was approved by the Compensation Committee on December 11, 2012 at the request of Mr. Lorber to assist with his individual income tax planning. In connection with, and as a condition to, the acceleration of the vesting schedule, the President of the Company entered into an Amendment to the Award Agreement and a clawback agreement (the "Agreement") with the Company, effective as of December 11, 2012. Pursuant to the Agreement, he agreed, in the event his employment with the Company terminates prior to September 15, 2014 for any reason other than death, disability or change of control, to repay to the Company, in either shares of the Company's common stock or cash, the fair market value on the termination date of that portion of the Award Shares that he would have otherwise had to forfeit under the Award Agreement had the vesting of the Award Shares not been accelerated, plus cash in the amount of any accrued dividends paid at the time of acceleration of vesting and any additional dividends declared on such shares.

The Company recognized expense of $2,381,280 in 2012, which consisted of (i) additional compensation expense of $288,456 related to the modified requisite service period as a result of the acceleration of vesting and (ii) the recognition of the unamortized compensation costs of $2,092,824 related to the accelerated vesting.
The acceleration of vesting was made in recognition of the key role Mr. Lorber plays in the Company’s success through his oversight of the business of the Company and his long-term strategic leadership in diversifying the mix of the Company's business activities. Mr. Lorber oversees the Company's investment portfolio and manages the Company's real estate operating businesses and investments (including its interest in Douglas Elliman). In 2012, Mr. Lorber played a key role in the issuance of $230 million of the Company's 7.5% Variable Interest Senior Convertible Notes . The acceleration of vesting was reviewed by GK Partners,

Table of Contents

which provided its opinion that the modification to Mr. Lorber's restricted award was reasonable and appropriate in the context of current market practices.

On February 26, 2013, the compensation committee granted options to Messrs. Lorber (500,000 shares), Lampen (125,000 shares), Kirkland (75,000 shares) and Bell (50,000 shares) to recognize past and current performance and to serve as a means of incentivizing and retaining key employees. Messrs Lampen, Kirkland and Bell had not been granted options since 2009 and no new options had been granted to Mr. Lorber since 2011 (although Mr. Lorber had received an option grant in 2009 and restricted share grants in 2005 and 2009). The options are non-qualified options with a ten-year term with cliff vesting on the fourth anniversary of grant and have an exercise price equal to the market price on the date of grant ($16.12). The options have dividend equivalent rights. GK Partners has reviewed the Company's dividend equivalent policy and has provided its opinion that equity grants with the terms that include dividend equivalents are a means of management compensation that are appropriate and consistent with the Company's strategy with respect to dividend policy (and the critical importance thereof). Shares received upon exercise of the February 26, 2013 option grants will be subject to the Company's Equity Retention and Hedging Policy. See "Equity Retention Policy" on page 13.

Dividend Equivalents

Under the terms of various stock option grants made to the Company’s named executive officers under the Company’s stock plans, cash dividend equivalent payments are made to the executive officers with respect to the shares of Common Stock underlying the unvested or unexercised portion of the options and the terms of equity awards are adjusted to reflect stock dividends. These payments are made at the same rate as dividends paid on the Company’s issued and outstanding shares of Common Stock. GK Partners has reviewed the Company's dividend equivalent policy and has provided its opinion that equity grants with the terms that include dividend equivalents are a means of management compensation that are appropriate and consistent with the Company's strategy with respect to dividend policy (and the critical importance thereof). In 2012, named executive officers earned cash dividend equivalent rights on options as follows: Mr. Lorber — $2,109,240; Mr. Lampen —$285,768; Mr. Kirkland — $142,884; and Mr. Bell — $142,884. In accordance with the disclosure rules of the SEC, these amounts have not been separately reported in the Summary Compensation Table because the value of the dividend equivalent rights was included in the initial grant date fair value of the underlying options grants which is reported in the table.

Supplemental Retirement Plan

The Company’s named 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 "Pension Benefits at 2012 Fiscal Year End" 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 giving consideration to a variety of pertinent factors including (but not limited to) the executive’s level of annual compensation.

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. These benefits are designed to provide a safety net of protection against the financial catastrophes that can result from illness, disability or death. 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 on page 15.

Perquisites

The Company provides the perquisites or personal benefits to its named executive officers discussed below. The Company’s corporate aircraft are made available for the personal use of Mr. Lorber and other executive officers at Mr. Lorber’s discretion. The Company’s corporate aircraft policy permits personal use of corporate aircraft by executives, subject to an annual limit of $200,000 for personal use by Mr. Lorber. For purposes of determining the amounts allowable under the policy, the value of the personal usage is calculated using the applicable standard

industry fare level formula established by the Internal Revenue Service (as distinguished from the aggregate incremental cost approach used for determining the value included in the Summary Compensation Table), and Mr. Lorber and any other executive officers pay income tax on such value. In addition, 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.

Table of Contents

Change in Control Provisions

The employment agreement entered into between the Company and Mr. Lorber contains 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 corporate transactions and/or other 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.

Inter-Relationship of Elements of Compensation Packages

The various elements of the compensation packages for the Company’s executive officers are not directly 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. However, the compensation committee does evaluate the total value of executive remuneration when making decisions with respect to any particular element thereof.

Equity Retention Policy

In 2013, the Company formalized its long-standing practice of significant share ownership by senior management by adopting an equity retention policy. Until normal retirement age as defined in the the Company's Supplemental Executive Retirement Plan, each executive officer is required to retain at least 25% (after taxes and exercise costs) of the shares of Common Stock acquired under an incentive equity or option award granted after January 1, 2013 (the "Equity Award Shares").

Prohibition on Hedging

Our executive officers are prohibited from hedging ownership of Equity Award Shares, including by trading in publicly traded options, puts, calls or other derivative instruments related to the Company's Common Stock.

Tax and Accounting Implications

Deductibility of Executive Compensation

The compensation committee and Subcommittee review and consider the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “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 three other highest compensated officers (other than the Chief Financial Officer) at year-end unless the compensation qualifies as “performance-based.”

Determinations with respect to compensation intended to be deductible under Section 162(m) are made by the Subcommittee, which consists of Messrs. Podell and Beinstein, who qualify as “outside directors” under Section 162(m). In certain situations, the compensation committee or the Subcommittee has in the past and may in the future approve compensation that will not meet these deductibility requirements in order to ensure appropriate and competitive levels of total compensation for the Company’s executive officers. In this regard, compensation paid to Messrs. Lorber and Lampen in excess of $1,000,000 from base salary and dividend equivalent rights and, to Mr. Lorber, from the vesting of restricted stock was not deductible for federal income tax purposes under Section 162(m) of the Code.

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 Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“FASB ASC Topic 718”).

13

Table of Contents

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

Jeffrey S. Podell, Chairman
Henry C. Beinstein
Jean E. Sharpe

Table of Contents

SUMMARY COMPENSATION TABLE FOR YEARS 2010 — 2012

The following table summarizes the compensation of the named executive officers for the years ended December 31, 2012, 2011 and 2010. 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 column).

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)	Total ($)
Howard M. Lorber	2012	$2,992,344	$0	$288,456 (2)	$0	$3,459,898	$2,764,549	$336,402 (6)	$9,841,649
President and Chief	2011	$2,914,810	$0	$0	$1,523,951 (3)	$3,271,523	$2,966,790	$248,173	$10,925,247
Executive Officer	2010	$2,873,149	$0	$0	$0	$3,130,719	$3,022,149	$297,783	$9,323,800
Richard J. Lampen	2012	$900,000	$0	$0	$0	$520,313	$326,207	$7,500 (7)	$1,754,020
Executive Vice	2011	$800,000	$0	$0	$0	$299,301	$319,740	$7,350	$1,426,391
President	2010	$800,000	$0	$0	$0	$290,573	$294,412	$7,350	$1,392,335
J. Bryant Kirkland III	2012	$425,000	$0	$0	$0	$122,852	$77,214	$7,500 (7)	$632,566
Vice President, Chief	2011	$375,000	$0	$0	$0	$105,223	$63,708	$7,350	$551,281
Financial Officer and	2010	$375,000	$0	$0	$0	$102,154	$55,418	$7,350	$539,922
Treasurer									
Marc N. Bell	2012	$425,000	$0	$0	$0	$122,852	$118,636	$7,500 (7)	$673,988
Vice President,	2011	$400,000	$0	$0	$0	$112,238	$105,168	$7,350	$624,756
General Counsel and	2010	$400,000	$0	$0	$0	$108,965	$93,678	$7,350	$609,993
Secretary									
Ronald J. Bernstein	2012	$892,241	$0	$0	$0	$809,307	$511,226	$7,500 (7)	$2,220,274
President and Chief	2011	$867,011	$0	$0	$0	$627,326	$507,697	$7,350	$2,009,384

Executive Officer of Liggett Vector Brands and Liggett	2010	$853,450	$180,782	$0	$0	$119,218	$470,518	$7,350	$1,631,318

(1) Reflects actual base salary amounts paid for 2012, 2011 and 2010.

(2) Reflects amount related to the modified requisite service period as a result of the acceleration of vesting of 243,201 shares of restricted stock in December 2012. The shares were originally granted in 2009 and were scheduled to vest in equal installments in September 2013 and September 2014. See note 11 to the Company's audited financial statements for the year ended December 31, 2012 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

(3) Represents the aggregate grant date fair value of stock or stock options granted under the 1999 Plan for the year ended December 31, 2011 as determined in accordance with FASB ASC Topic 718, 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 years ended December 31, 2012 and December 31, 2011, respectively, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013 and February 24, 2012, respectively. The FASB ASC Topic 718 amounts from these grants may never be realized by the named executive officer.

(4) These amounts reflect performance-based cash awards under the Bonus Plan paid during 2013, 2012 and 2011 in respect of service performed in 2012, 2011 and 2010, respectively. This plan is discussed in further detail on page 10 under the heading "Annual Incentive Bonus Awards".

(5) Amounts shown are solely an estimate of the increase in actuarial present value of the named executive officer's accrued benefit at the later of age 60 during active service or the completion of eight years of full-time continuous service under the Company's pension plans. Assumptions are further described in "Pension Benefits at 2012 Fiscal Year End" on page 19. 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. No amount is payable from this plan before a participant attains the later 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

Table of Contents

executive officers. For Mr. Bernstein, the reported amount also includes $7,397 in 2011 in connection with Liggett Group Inc. Retirement Plan for Salaried Non-Bargaining Unit Employees.

(6) Represents perquisites consisting of $238,902 for personal use of corporate aircraft in 2012 and a $90,000 allowance paid for lodging and related business expenses in 2012. Also includes $7,500 for 401(k) plan matching contributions in 2012. 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 from internal Company data. The charge reflects the direct operating cost of the aircraft, including fuel, additives and lubricants, airport fees and catering. In addition, the charge also reflects an allocable allowance for maintenance and engine restorations.

(7) Represents 401(k) plan matching contributions.

Employment Agreements and Severance Arrangements

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. Mr. Lorber’s salary is subject to an annual cost of living adjustment. As of January 1, 2013, Mr. Lorber’s annual base salary was $3,055,482. 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 is eligible on an annual basis to receive a target bonus of 100% of his base salary under the Company’s Bonus Plan. During the period of his employment, Mr. Lorber is 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) 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 and any stock options granted after January 27, 2006 would continue to be 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 will be indemnified in the event that excise taxes are imposed on change-of-control payments under Section 4999 of the Code. In the event Mr. Lorber's employment terminates prior to September 14, 2014 for any reason other than death, disability or change of control, he will be required to return to the Company 243,101 shares of restricted stock received on December 11, 2012 and all dividends relating to such shares.

On January 27, 2006, the Company entered into employment agreements (the “Other Executive Agreements”) with Richard J. Lampen, the Company’s Executive Vice President, J. Bryant Kirkland III, the Company’s Vice President and, effective April 1, 2006, Chief Financial Officer, and Marc N. Bell, the Company’s Vice President, General Counsel and Secretary. 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, 2013, the annual base salaries provided for in these Other Executive Agreements were $900,000 for Mr. Lampen, $425,000 for Mr. Kirkland and $425,000 for Mr. Bell. In addition, the board must periodically review these base salaries and may increase but not decrease them from time to time in its sole discretion. These executives are eligible to receive a target bonus of 50% (increased from 33.33% beginning in 2012) for Mr. Lampen, and 25% for Messrs. Kirkland and Bell, of their base salaries under the Company’s non-equity incentive 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 50% of base salary for Mr. Lampen and 25% of base salary for Messrs. Kirkland and Bell).

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 serves 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, 2013, Mr. Bernstein's annual base salary was $908,719.

Table of Contents

Mr. Bernstein's salary is subject to an annual cost of living adjustment. Under the terms of the Bernstein Employment Agreement, Mr. Bernstein is eligible on an annual basis to receive a target bonus of up to 100% of his base salary under the Company's non-equity incentive bonus plan if Liggett meets certain pre-established operating goals. On January 14, 2011, the Bernstein Employment Agreement was amended to conform the language concerning his eligibility to participate in the non-equity incentive bonus plan with that of the Other Executive Agreements (without changing the percentage of base salary which he could receive). Following termination of his employment without cause, he would continue to receive his base salary for a period of 24 months.

Restricted Stock and Option Awards

GRANTS OF PLAN-BASED AWARDS IN 2012

There table below provides information with respect to incentive compensation granted to each of the named executive officers for the year ended December 31, 2012.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Howard M. Lorber	2/23/2012	$0	$2,992,344	$3,740,430	—	—	—	—	—	—	—
Richard J. Lampen	2/22/2012	$0	$450,000	$562,500	—	—	—	—	—	—	—
J. Bryant Kirkland III	2/23/2012	$0	$106,250	$132,813	—	—	—	—	—	—	—
Marc N. Bell	2/23/2012	$0	$106,250	$132,813	—	—	—	—	—	—	—
Ronald J. Bernstein	2/23/2012	$0	$892,241	$892,241	—	—	—	—	—	—	—

(1) The amounts shown include the awards made under the Bonus Plan on February 23, 2012. Target levels are equal to 100% of base salary for Messrs. Lorber and Bernstein, 50% of base salary for Mr. Lampen and 25% of base salary for Messrs. Kirkland and Bell. The maximum amount is 125% of the target amount for Messrs. Lorber, Lampen, Kirkland and Bell and 100% 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. The actual bonus amounts earned for 2012 have been determined and paid in 2013 and are reflected in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table on page 15.

Table of Contents

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2012

The table below provides information with respect to the outstanding equity awards of the named executive officers as of December 31, 2012.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Howard M. Lorber	—	926,100 (1)	—	$12.17	12/3/2019	—	$—	—	—
	—	441,000 (2)	—	$15.65	1/14/2021	—	—	—	—
Richard J. Lampen	—	185,220 (1)	—	$12.17	12/3/2019	—	—	—	—
J. Bryant Kirkland III	—	92,610 (1)	—	$12.17	12/3/2019	—	—	—	—
Marc N. Bell	—	92,610 (1)	—	$12.17	12/3/2019	—	—	—	—
Ronald J. Bernstein	274,598	—	—	$12.61	8/16/2016	—	—	—	—

(1) These option grants vest on December 3, 2013.

(2) This option grant vests on January 14, 2015.

OPTION EXERCISES AND STOCK VESTED IN YEAR ENDED DECEMBER 31, 2012

The table below provides information with respect to the number shares of restricted stock granted under the 1999 Plan to the named executive officers in previous years that were exercised or vested during 2012, as well as, the market value of the stock on the vesting date.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (1)	Value Realized on Vesting ($) (1)
Howard M. Lorber	—	$—	364,651	$5,764,013
Richard J. Lampen	—	—	—	—
J. Bryant Kirkland III	—	—	—	—
Marc N. Bell	—	—	—	—
Ronald J. Bernstein	—	—	—	—

Includes 121,550 shares of restricted stock that vested on September 15, 2012 and 243,101 shares of restricted stock that vested on December 11, 2012. The shares that vested on December 11, 2012 were previously scheduled to vest in equal parts on September 15, 2013 and September 15, 2014. See "Equity Compensation" on Page 11.

(1) Reflects shares received upon vesting of restricted stock awards under the 1999 Plan made in 2009. Shares presented have been adjusted to reflect the Company's 5% stock dividend paid on September 28, 2012. Does not include cash dividends accrued on such shares while non-vested and received upon vesting, which totaled $1,879,796 for Mr. Lorber. See “Dividend Equivalents” on page 12.

Table of Contents

Retirement Benefits

PENSION BENEFITS AT 2012 FISCAL YEAR END

The table below quantifies the benefits expected to be paid from the Company's Supplemental Retirement Plan and, in the case of Mr. Bernstein, also from Liggett's Qualified Plan. The terms of the plans are described below the table.

Name	Plan Name	Number of Years of Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2),(3)	Payments During Last Fiscal Year ($)
Howard M. Lorber	Supplemental Retirement Plan	11	$21,706,589	$0
Richard J. Lampen	Supplemental Retirement Plan	9	$2,310,755	$0
J. Bryant Kirkland III	Supplemental Retirement Plan	9	$651,413	$0
Marc N. Bell	Supplemental Retirement Plan	9	$930,576	$0
Ronald J. Bernstein	Supplemental Retirement Plan	11	$4,130,475	$0
	Qualified Plan	2	$59,638	$0

(1) Equals number of years of credited service as of December 31, 2012. Credited service under the Supplemental Retirement Plan is based on a named executive officer's period of full time continuous covered employment after commencing participation in the Supplemental Retirement Plan.

(2) Represents actuarial present value in accordance with the same assumptions outlined in note 9 to the Company's audited financial statements for the year ended December 31, 2012 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

(3) Includes amounts which the named executive officer is not currently entitled to receive because such amounts are not vested.

Supplemental Retirement Plan

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 "normal retirement date" under the Supplemental Retirement Plan is defined as the January 1st following attainment by a participant of the later age 60 or the completion of eight years of employment following January 1, 2002 (in the case of Messrs. Lorber and Bernstein) or January 1, 2004 (in the case of Messrs. Lampen, Kirkland and Bell).

The following table sets forth for each named executive officer his hypothetical single life annuity, his normal retirement date and his projected lump sum payment at his normal retirement date.

Name	Hypothetical Single Life Annuity	Normal Retirement Date	Lump-Sum Equivalent
Howard M. Lorber	$1,051,875	January 1, 2010	$10,855,666
	$735,682	January 1, 2013	$7,121,988
Richard J. Lampen	$250,000	January 1, 2014	$2,625,275
J. Bryant Kirkland III	$202,500	January 1, 2026	$2,126,473
Marc N. Bell	$200,000	January 1, 2021	$2,100,220
Ronald J. Bernstein	$438,750	January 1, 2014	$4,607,358

No benefits are payable under the Supplement Retirement Plan if a named executive officer resigns without good reason before attaining his normal retirement date. In the case of a participant who becomes disabled prior to his normal retirement date

Table of Contents

or whose service is terminated without cause, the participant's benefit consists of a pro-rata portion of the full projected retirement benefit to which he would have been entitled had he remained employed through his normal retirement date, as actuarially discounted back to the date of payment. The beneficiary of a participant who dies while working for the Company or a subsidiary (and before becoming disabled or attaining his normal retirement date) will be paid an actuarially discounted equivalent of his projected retirement benefit; conversely, a participant who retires beyond his normal retirement date will receive an actuarially increased lump sum payment to reflect the delay in payment using a post-retirement interest rate of 7.5%. The lump sum amount under the Supplemental Retirement Plan is paid six months following the named executive officer's retirement on or after his normal retirement date or termination of employment without cause, along with interest at the prime lending rate as published in the Wall Street Journal on the lump sum amount for this six-month period.

In April 2008, the compensation committee of the board approved an amendment to the Supplemental Retirement Plan to provide Mr. Lorber with an additional benefit under the Supplemental Retirement Plan equal to a $735,682 lifetime annuity beginning January 1, 2013. After consulting with GK Partners, the compensation committee approved this amendment to provide an incentive for Mr. Lorber to remain with the Company past his then current retirement date under the Supplemental Retirement Plan, which was January 1, 2010. This additional benefit vested in full on January 1, 2013, subject to Mr. Lorber remaining continuously employed by the Company through that date, with partial vesting for termination of employment under certain circumstances. As a result of the additional benefit granted to him, Mr. Lorber will be eligible to receive a total lump sum retirement benefit of $20,607,948 in 2013, an increase of $7,121,988 over the benefit he would have been entitled to receive under the Supplemental Retirement Plan prior to the amendment, which assumed a January 1, 2013 retirement date. As Mr. Lorber did not retire on January 1, 2013, his additional benefit will be increased by 7.5% per annum for each year he continues to be an employee of the Company thereafter.

In January 2006, the Company amended and restated the 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 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.

Qualified Plan

Liggett's salaried employees are entitled to benefits payable under the Qualified Plan based on a formula that yields an annual amount payable over the participant's life beginning at age 65. Liggett discontinued providing additional benefits under the Qualified Plan for service on and after January 1, 1994. As of December 31, 2012, none of the named executive officers was eligible to receive any benefits under the Qualified Plan, except for Mr. Bernstein who is entitled to a monthly benefit of $372 beginning at age 65.

Potential Termination and Change in Control Payments

The compensation payable to named executive officers upon voluntary termination, involuntary termination without cause, termination for cause, termination following a change in control and in the event of disability or death of the executive is described below.

Payments Made Upon Termination

Regardless of the manner in which a named executive officer's employment terminates, unless terminated for cause, he or she may be entitled to receive amounts earned during his or her term of employment. Such amounts include:

- unpaid base salary through the date of termination;
- any accrued and unused vacation pay;
- any unpaid award under the Plans or bonus under the Bonus Plan with respect to a completed performance period;
- all accrued and vested benefits under the Company's compensation and benefit programs, including the pension plan and the Supplemental Retirement Plan; and
- with respect solely to Mr. Lorber, payment by the Company of a tax gross-up for any excise taxes and related income taxes on gross-ups for benefits received upon termination of employment.

In the event Mr. Lorber's employment terminates for any reason other than death, disability or change of control prior to September 15, 2014, he will be required to return to the Company 243,101 shares of restricted stock together will all dividends paid on such shares as a result of accelerated vesting of such shares on December 11, 2012. See "Equity Compensation" on page 11.

Table of Contents

Payments Made Upon Involuntary Termination of Employment without Cause or for Good Reason, Death or Disability

In the event of the termination of a named executive officer by the Company without cause or by the named executive officer for good reason, or upon the death or disability of a named executive officer, in addition to the benefits listed under the heading “Payments Made Upon Termination”, the named executive officer or his designated beneficiary upon his death will receive the following benefits:

- with respect to the named executive officers, payments for a specified period of either 24 or 36 months (the “Severance Period”) equal to 100% of the executive’s then-current base salary and (except for Mr. Bernstein) the most recent bonus paid to the executive (up to the amount of the executive’s target bonus under his employment agreement);
- with respect to the named executive officers, continued participation, at the Company’s expense, during the Severance Period in all employee welfare and health benefit plans, including life insurance, health, medical, dental and disability plans which cover the executive and the executive’s eligible dependents (or, if such plans do not permit the executive and his eligible dependents to participate after his termination, the Company is required to pay an amount each quarter (not to exceed $35,000 per year in the case of Messrs. Lampen, Kirkland and Bell) to keep them in the same economic position on an after-tax basis as if they had continued in such plans);
- with respect solely to Mr. Bernstein, a pro rata amount of any award under the Bonus Plan for which the performance period has not been completed based upon 100% of the target bonus amount for such period to the extent that Mr. Bernstein is terminated on or after July 1 of the applicable year and bonuses are otherwise paid to the management of Liggett for that year;
- acceleration of the vesting of his restricted shares upon death or disability; and
- in the event Mr. Lorber's employment terminates for any reason other than death, disability or change of control prior to September 15, 2014, he will be required to return to the Company 243,101 shares of restricted stock together will all dividends paid on such shares as a result of accelerated vesting of such shares on December 13, 2012. See "Equity Compensation" on page 11.

Payments Made Upon a Change in Control

Howard M. Lorber

Mr. Lorber’s employment agreement has a double-trigger change in control provision: if his employment is terminated without cause or by the executive for good reason within two years of a change in control Mr. Lorber would be entitled to receive the following severance benefits:

- a lump-sum cash payment equal to 2.99 times the sum of his base salary plus the last annual bonus earned by him up to 100% of base salary (including any deferred amount) for the performance period immediately preceding the date of termination;
- participation by Mr. Lorber and his eligible dependents in all welfare benefit plans in which they were participating on the date of termination until the earlier of (x) the end of the employment period under his employment agreement and (y) the date that he receives equivalent coverage and benefit under the plans and programs of a subsequent employer;
- continued participation at the Company’s expense for 36 months in life, disability, accident, health and medical insurance benefits substantially similar to those received by Mr. Lorber and his eligible dependents prior to such termination, subject to reduction if comparable benefits are actually received from a subsequent employer;
- full vesting of his outstanding equity awards;
- termination of certain restrictive covenants in his employment agreement, including covenants not to compete and non-solicitation covenants; and
- termination of clawback agreement with respect to shares received on December 11, 2012 and related dividends.

Richard J. Lampen, J. Bryant Kirkland III, Marc N. Bell and Ronald J. Bernstein

While their respective employment agreements do not contain any change of control provisions, in the event of the termination of Messrs. Lampen, Kirkland, Bell and Bernstein by the Company without cause or by the named executive officer for good reason upon a change of control, such named executive officers will receive the same severance benefits described in the previous section.

21

Table of Contents

Definition of Change in Control

Pursuant to the employment agreement between the Company and Mr. Lorber, a "change in control" is deemed to occur if:

- a person unaffiliated with the Company acquires more than 40 percent control over its voting securities;
- the individuals who, as of January 1, 2006, are members of the Company's board of directors (the "Incumbent Board"), cease to constitute at least two-thirds of the Incumbent Board; however, a newly-elected board member that was elected or nominated by two-thirds of the Incumbent Board shall be considered a member of the Incumbent Board;
- the Company's stockholders approve a merger, consolidation or reorganization with an unrelated entity, unless the Company's stockholders would own at least 51 percent of the voting power of the surviving entity; the individuals who were members of the Incumbent Board constitute at least a majority of the members of the board of directors of the surviving entity; and no person (other than one of the Company's affiliates) has beneficial ownership of 40 percent or more of the combined voting power of the surviving entity's then outstanding voting securities;
- the Company's stockholders approve a plan of complete liquidation or dissolution of the Company; or
- the Company's stockholders approve the sale or disposition of all or substantially all of the Company's assets.

Definition of Termination for Cause

Under each of the employment agreements with Messrs. Lorber, Lampen, Kirkland and Bell, termination by the Company for "cause" is defined as:

- the executive being convicted of or entering a plea of nolo contendere with respect to a criminal offense constituting a felony;
- the executive committing in the performance of his duties under his employment agreement one or more acts or omissions constituting fraud, dishonesty or willful injury to the Company which results in a material adverse effect on the business, financial condition or results of operations of the Company;
- the executive committing one or more acts constituting gross neglect or willful misconduct which results in a material adverse effect on the business, financial condition or results of operations of the Company;
- the executive exposing the Company to criminal liability substantially and knowingly caused by the executive which results in a material adverse effect on the business, financial condition or results of operations of the Company; or
- the executive failing to substantially perform his duties under his employment agreement (excluding any failure to meet any performance targets or to raise capital or any failure as a result of an approved absence or any mental or physical impairment that could reasonably be expected to result in a disability), after written warning from the board specifying in reasonable detail the breach(es) complained of.

Under the employment agreement between Liggett and Mr. Bernstein, "cause" is defined as:

- a material breach by Mr. Bernstein of his duties and obligations under his employment agreement which breach is not remedied to the satisfaction of the board of directors of Liggett ("Liggett Board"), within 30 days after receipt by Mr. Bernstein of written notice of such breach from the Liggett Board;
- Mr. Bernstein's conviction or indictment for a felony;
- an act or acts of personal dishonesty by Mr. Bernstein intended to result in personal enrichment of Mr. Bernstein at the expense of the Company or any of its affiliates or any other material breach or violation of Mr. Bernstein's fiduciary duty owed to the Company or any of its affiliates;
- material violation of any Company or Liggett policy or the Company's Code of Business Conduct and Ethics; or
- any grossly negligent act or omission or any willful and deliberate misconduct by Mr. Bernstein that results, or is likely to result, in material economic, or other harm, to the Company or any of its affiliates (other than any act or omission by Mr. Bernstein if it was taken or omitted to be done by Mr. Bernstein in good faith and with a reasonable belief that such action or omission was in the best interests of the Company).

Definition of Termination for Good Reason

Under each of the employment agreements with Messrs. Lorber, Lampen, Kirkland and Bell, termination by the executive for "good reason" is defined as:

Table of Contents

- a material diminution of the executive's duties and responsibilities provided in his employment agreement, including, without limitation, the failure to elect or re-elect the executive to his position (including with respect solely to Mr. Lorber, his position as a member of the board) or the removal of the executive from any such position;
- a reduction of the executive's base salary or target bonus opportunity as a percentage of base salary or any other material breach of any material provision of his employment agreement by the Company;
- relocation of the executive's office from the Miami (or with respect solely to Mr. Lorber, the Miami or New York City) metropolitan areas;
- the change in the executive's reporting relationship from direct reporting to the board, in the case of Mr. Lorber, to the Chairman and the Chief Executive Officer, in the case of Mr. Lampen, or to the Chairman, Chief Executive Officer or the Executive Vice President, in the case of Messrs. Kirkland and Bell; or
- the failure of a successor to all or substantially all of the Company's business or assets to promptly assume and continue his employment agreement obligations whether contractually or as a matter of law, within 15 days of such transaction.

Under the employment agreement with Mr. Bernstein, "good reason" exists if, without the prior written consent of Mr. Bernstein:

- the Liggett board removes Mr. Bernstein as President and Chief Executive Officer of Liggett, other than in connection with the termination of his employment;
- Mr. Bernstein is not appointed as a member of the Liggett board;
- the Liggett board reduces Mr. Bernstein's rate of salary or bonus opportunity or materially reduces Mr. Bernstein's welfare, perquisites or other benefits described in his employment agreement;
- Mr. Bernstein's duties and responsibilities at Liggett are significantly diminished or there are assigned to him duties and responsibilities materially inconsistent with his position;
- Liggett fails to obtain a written agreement reasonably satisfactory to Mr. Bernstein from any successor of the Company to assume and perform his employment agreement; or
- there occurs a change of control and Mr. Bernstein is required to relocate more than 50 miles from Mr. Bernstein's current work location.

Assumptions Regarding Post-Termination Payment Tables

The following tables were prepared as though each named executive officer's employment was terminated on December 31, 2012 (the last business day of 2012) using the closing price of the Company's Common Stock as of that day ($14.87). The amounts under the columns which reflect a Change in Control assume that a change in control occurred on December 31, 2012. However, the executives' employment was not terminated on December 31, 2012 and a change in control did not occur on that date. There can be no assurance that a termination of employment, a change in control or both would produce the same or similar results as those described if either or both of them occur on any other date or at any other price, or if any assumption is not correct in fact.

Tax Gross-Up Assumptions

- Mr. Lorber was assumed to be subject to the maximum federal and state income and other payroll taxes, including excise taxes, aggregating to a net combined effective tax of approximately 62%, when calculating whether he would have been entitled to excise tax gross-up.
- Calculations for any tax gross-up are based on Mr. Lorber's taxable wages (Form W-2, Box 1) for the years 2007 through 2011.
- No other named executive officer is entitled to an excise tax gross-up under the terms of his employment agreement.

Equity-Based Assumptions

- Stock options held by Messrs. Lorber, Lampen, Kirkland and Bell would have vested on December 31, 2012 with respect to a change in control or termination by him on death or disability.
- No other named executive officer held unvested options at that date.
- Stock options that become vested due to a change in control are valued based on their "spread" (i.e., the difference between the stock's fair market value and the exercise price).

Table of Contents

- It is possible that IRS rules would require these items to be valued using a valuation method such as the Black-Scholes model if they continued after a change in control. Using a Black-Scholes value in lieu of the "spread" would cause higher value for excise taxes and the related tax gross-up payment.
- Mr. Lorber would not be required to return to the Company the 243,101 shares of common stock and related dividends received on December 11, 2012 as a result of acceleration of vesting in the event of a change of control, or termination, death or disability.

Incentive Plan Assumptions

- All amounts under the Bonus Plan were deemed to have been earned for 2012 in full based on actual performance and are not treated as subject to the excise tax upon a change in control.

Retirement Benefit Assumptions

- All benefits were assumed to be payable in a single lump sum at the participant's earliest retirement-eligible date.

Howard M. Lorber

	Termination by Company without Cause or by Named Executive Officer with Good Reason	Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance	$17,721,468 (1),(6)	$17,721,468 (1)	$17,721,468 (1)	— (6)	$17,662,390 (2)
Acceleration of Long Term Incentive Grants at Target	—	—	—	—	—
Value of Accelerated Unvested Equity (3)	$—	$2,500,470	$2,500,470	—	$2,500,470
Benefits Continuation(4)	$85,973	$85,973	$51,521	—	$85,973
Value of Supplemental Retirement Plan(5)	$20,607,951	$20,607,951	$20,607,951	—	$20,607,951
Excise Tax and Gross-Up	—	—	—	—	—

(1) Reflects the value of the sum of Mr. Lorber's 2012 base salary ($2,992,344) and last paid bonus limited to 100% of base salary ($2,914,810) paid over a period of 36 months after termination.

(2) Reflects the value of the sum of Mr. Lorber's 2012 base salary ($2,992,344) and last paid bonus limited to 100% of base salary ($2,914,810) for a period of 2.99 years paid in a lump-sum payment commencing after termination.

(3) Reflects the value of any unvested stock options or restricted stock and related dividends that would have vested upon the event using the closing price of the Company's Common Stock on December 31, 2012 ($14.87). See "Outstanding Equity Awards at December 31, 2012" on page 18.

(4) Reflects the value of premium payments for life insurance, medical, dental and disability plans for 36 months at the Company's cost, based on 2012 premiums.

(5) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2012, which are disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19.

(6) Under the terms of the clawback agreement entered to at the time that the Company agreed to accelerate the vesting of 243,101 shares of restricted stock, Mr. Lorber agreed to return such shares, $1,316,480 of dividends paid

at the time and any subsequent dividends paid with respect to such shares in the event that his employment with the Company terminates prior to September 15, 2014 for any reason other than death, disability or change of control.

Table of Contents

Richard J. Lampen

	Termination by Company without Cause or by Named Executive Officer with Good Reason	Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$2,333,328	$2,333,328	$2,333,328	—	$2,333,328
Acceleration of Long Term Incentive Grants at Target	—	—	—	—	—
Value of Accelerated Unvested Equity(2)	$—	$500,094	$500,094	—	$500,094
Benefits Continuation(3)	$65,194	$65,194	$50,229	—	$65,194
Value of Supplemental Retirement Plan(4)	$2,197,913	$2,197,913	$2,442,125	—	$2,197,913
Excise Tax and Gross-Up	—	—	—	—	—

(1) Reflects the value of the sum of Mr. Lampen's 2012 base salary ($900,000) and last paid bonus limited to 33% of base salary ($266,667) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that would have vested upon the event using the closing price of the Company's Common Stock on December 31, 2012 ($14.87). See "Outstanding Equity Awards at December 31, 2012" on page 18.

(3) Reflects the value of premium payments for life insurance, medical, dental and disability plans for 24 months at the Company's cost, based on 2012 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2012, which are disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19.

J. Bryant Kirkland III

	Termination by Company without Cause or by Named Executive Officer with Good Reason	Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$1,037,496	$1,037,496	$1,037,496	—	$1,037,496
Acceleration of Long Term Incentive Grants at Target	—	—	—	—	—
Value of Accelerated Unvested Equity(2)	$—	$250,047	$250,047	—	$250,047

Benefits Continuation(3)	$21,609	$17,808	$—	—	$21,609
Value of Supplemental Retirement Plan(4)	$339,755	$339,755	$830,513	—	$339,755
Excise Tax and Gross-Up	—	—	—	—	—

(1) Reflects the value of the sum of Mr. Kirkland's 2012 base salary ($425,000) and last paid bonus limited to 25% of base salary ($93,750) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that would have vested upon the event using the closing price of the Company's Common Stock on December 31, 2012 ($14.87). See "Outstanding Equity Awards at December 31, 2012" on page 18.

(3) Reflects the value of premium payments for life insurance, medical, dental and disability plans for 24 months at the Company's cost, based on 2012 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2012, which are disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19.

Table of Contents

Marc N. Bell

	Termination by Company without Cause or by Named Executive Officer with Good Reason	Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$1,050,000	$1,050,000	$1,050,000	—	$1,050,000
Acceleration of Long Term Incentive Grants at Target	—	—	—	—	—
Value of Accelerated Unvested Equity(2)	$—	$250,047	$250,047	—	$250,047
Benefits Continuation(3)	$56,058	$56,058	$50,229	—	$56,058
Value of Supplemental Retirement Plan(4)	$623,435	$623,435	$1,177,600	—	$623,435
Excise Tax and Gross-Up	—	—	—	—	—

(1) Reflects the value of the sum of Mr. Bell's 2012 base salary ($425,000) and last paid bonus limited to 25% of base salary ($100,000) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that would have vested upon the event using the closing price of the Company's Common Stock on December 31, 2012 ($14.87). See "Outstanding Equity Awards at December 31, 2012" on page 18.

(3) Reflects the value of premium payments for life insurance, medical, dental and disability plans for 24 months at the Company's cost, based on 2012 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2012, which are disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19.

Ronald J. Bernstein

	Termination by Company without Cause or by Named Executive Officer with Good Reason	Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$1,784,472	$1,784,472	$1,784,472	—	$1,784,472
	—	—	—	—	—

Acceleration of Long Term Incentive Grants at Target					
Value of Accelerated Unvested Equity(2)	—	—	—	—	—
Benefits Continuation(3)	$47,302	$47,302	$32,338	—	$47,302
Value of Retirement Benefits(4)	$3,928,769	$3,928,769	$4,285,929	—	$3,928,769
Excise Tax and Gross-Up	—	—	—	—	—

(1) Reflects the value of the sum of Mr. Bernstein's 2012 base salary ($892,241) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that would have vested upon the event using the closing price of the Company's Common Stock on December 31, 2012 ($14.87) and related dividends. Mr. Bernstein had only vested but unexercised stock options on that date. See "Outstanding Equity Awards at December 31, 2012" on page 18.

(3) Reflects the value of premium payments for life insurance, medical, dental and disability plans for 24 months at the Company's cost, based on 2012 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplement Retirement Plan as of December 31, 2012, which are disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19. The amount does not include the value of Mr. Bernstein's monthly payment of $372 at age 65 under the Qualified Plan, which is disclosed in "Pension Benefits at 2012 Fiscal Year End" on page 19 because lump sum payments are not generally available to participants in the Qualified Plan. If the lump sum option had been available to Mr. Bernstein in the Qualified Plan, the amounts shown would have been increased by approximately $59,638.

Table of Contents

Compensation of Directors

The compensation of the non-employee directors is designed to be simple and easy for stockholders to understand and to be fair based on the amount of work required of directors of the Company. Each of the non-employee directors receives:

- annual cash retainer fee of $50,000;
- $2,500 per annum for each committee membership ($5,000 for the committee chairman);
- $1,000 per meeting for each board meeting attended in person or by telephone;
- $500 per meeting for each committee meeting attended in person or by telephone;
- periodic grants of restricted shares;
- reimbursement for reasonable out-of-pocket expenses incurred in serving on the Company's board; and
- access to the Company's health, dental and life insurance coverage.

No stock options to purchase Common Stock or Restricted Shares of Common Stock were granted to the non-employee directors in 2012. During the second quarter of 2013, the Company intends to grant 10,000 restricted shares of Common Stock under the 1999 Plan to each of its non-employee directors in order to align the director's interests with the long-term interests of the stockholders. The stock grant will vest in three equal annual installments commencing on the first anniversary of the date of grant based on continued service as a director, subject to earlier vesting upon death, disability or the occurrence of a change in control.

The table below summarizes the compensation the Company paid to the non-employee directors for the year ended December 31, 2012.

NON-EMPLOYEE DIRECTOR COMPENSATION IN FISCAL YEAR 2012

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)		Total ($)
Stanley S. Arkin (3)	$62,500	$—	—	—	—	$ 2,596	(1)	$65,096
Henry C. Beinstein (4)	$79,500	$—	—	—	—	$ 1,951	(1)	$81,451
Bennett S. LeBow (4)	$60,500	$—	—	—	—	$ 11,459	(2)	$71,959
Jeffrey S. Podell (4)	$74,500	$—	—	—	—	$ 3,041	(1)	$77,541
Jean E. Sharpe (4)	$79,500	$—	—	—	—	$ 16,108	(2)	$95,608

(1) Represents life insurance premiums paid by the Company.
(2) Represents health and life insurance premiums paid by the Company.
(3) Held 3,500 shares of unvested Restricted Stock at December 31, 2012.
(4) Held 3,858 shares of unvested Restricted Stock at December 31, 2012.

Compensation Committee Interlocks and Insider Participation

No member of the Company’s compensation committee is, or has been, an employee or officer of the Company other than Ms. Sharpe who joined the compensation committee in March 2009. Ms. Sharpe retired as an officer of the Company in 1993. During 2012, (i) no member of the Company’s compensation committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K; and (ii) none of the Company’s executive officers served on the compensation committee (or

27

Table of Contents

equivalent) or board of directors of another entity whose executive officer(s) served on the Company's compensation committee or board of directors.

Audit Committee Report

The audit committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Management is responsible for the Company's internal controls and the financial reporting process, including its financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting. PricewaterhouseCoopers LLP, the Company's independent registered certified public accounting firm, issues opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the effectiveness of the Company's internal control over financial reporting. The audit committee reviews these processes on behalf of the board of directors. In this context, the committee has reviewed and discussed with management and PricewaterhouseCoopers LLP the audited financial statements for the year ended December 31, 2012, management's assessment of the effectiveness of the Company's internal control over financial reporting and the evaluation by PricewaterhouseCoopers LLP of the effectiveness of the Company's internal control over financial reporting.

The audit committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement of Auditing Standards No. 61, Communication with Audit Committees, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the audit of the Company's financial statements. The audit committee also has received written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence from the Company. The audit committee has also considered whether the provision of the services described under the caption "Audit Fees and Non-Audit Fees" is compatible with maintaining the independence of the independent auditors.

Based on the review and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission.

This report is submitted by the audit committee of the Company.

Henry C. Beinstein, Chairman
Jeffrey S. Podell
Jean E. Sharpe

Table of Contents

Audit and Non-Audit Fees

The audit committee reviews and approves audit and permissible non-audit services performed by PricewaterhouseCoopers LLP, as well as the fees charged by PricewaterhouseCoopers LLP for such services. In accordance with Section 10A(i) of the Securities Exchange Act, before PricewaterhouseCoopers LLP is engaged to render audit or non-audit services, the engagement is approved by the audit committee. All of the services provided and fees charged by PricewaterhouseCoopers LLP in 2012 and 2011 were pre-approved by the audit committee.

Audit Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for professional services for the audit of the annual financial statements of the Company and its consolidated subsidiaries, audit of effectiveness of internal control over financial reporting under Sarbanes-Oxley Section 404, audits of subsidiary financial statements, reviews of the financial statements included in the Company's quarterly reports on Form 10-Q, comfort letters, consents and review of documents filed with the SEC were $1,923,529 for 2012 and $1,921,429 for 2011.

Audit-Related Fees. No fees were billed by PricewaterhouseCoopers LLP for audit-related professional services in 2012 and 2011.

Tax Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for professional services for tax services were $12,590 in 2012 and $21,623 in 2011. The services were primarily for federal and state tax advice.

All Other Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for other services were $3,600 in 2012 and $3,600 in 2011. The amounts consisted of licensing of accounting research software.

Pre-Approval Policies and Procedures

The audit committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent registered certified public accounting firm. The policy provides for pre-approval by the audit committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the audit committee must approve the permitted service before the independent registered certified public accounting firm is engaged to perform it. The audit committee approved all services provided by PricewaterhouseCoopers LLP.

Equity Compensation Plan Information

The following table summarizes information about the options, warrants and rights and other equity compensation under the Company's equity plans as of December 31, 2012.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	2,285,640	$13.12	3,703,283
Equity compensation plans not approved by security holders	—	—	—
Total	2,285,640	$13.12	3,703,283

(1) Includes options to purchase shares of the Company's Common Stock under the following stockholder-approved plans: 1998 Long-Term Incentive Plan and Amended and Restated 1999 Long-Term Incentive Plan.

Table of Contents

Certain Relationships and Related Party Transactions

The board of directors has adopted a written policy for the review and approval of transactions between the Company and its directors, director nominees, executive officers, greater than five percent beneficial owners and their immediate family members. The policy covers any related party transaction that meets the minimum threshold for disclosure in the Company's proxy statement under the relevant Securities and Exchange Commission rules. The audit committee is responsible for reviewing and, if appropriate, approving or ratifying any related party transactions. In determining whether to approve, disapprove or ratify a related party transaction, the audit committee will take into account, among other factors it deems appropriate, (i) whether the transaction is on terms no less favorable to the Company than terms that would have been reached with an unrelated third party, (ii) the extent of the interest of the related party in the transaction and (iii) the purpose and the potential benefits to the Company of the transaction.

The related party transactions described in this proxy statement entered into before this policy was adopted were approved by the board of directors or the audit committee.

As of the record date, Jefferies was the beneficial owner of 7.3% of the Common Stock. Jefferies or its affiliates have from time to time provided investment banking, general financing and banking services to the Company and its affiliates, for which they have received customary compensation. During 2012, the Company paid to Jefferies and its affiliates fees in the amount of approximately $9.2 million. Further, in connection with the offering of its 2019 Convertible Notes in November 2012, the Company lent Jefferies, the underwriter for the offering, a total of 6,114,000 shares of the Company's Common Stock under the Share Lending Agreement. Jefferies is entitled to offer and sell such shares and use the sale to facilitate the establishment of a hedge position by investors in the notes and will receive all proceeds from the Common Stock offerings and lending transactions under the Share Lending Agreement. In connection with the execution of the Share Lending Agreement, the Company received a lending fee of $611,400, or $0.10 per share for each share of Common Stock that the Company lent.The Share Lending Agreement requires that the shares borrowed be returned upon the maturity of the related debt, January 2019, or earlier, including the redemption of the notes or the conversion of the notes to shares of Common Stock pursuant to the terms of the indenture governing the notes. Borrowed shares are issued and outstanding for corporate law purposes and, accordingly, the holders of the borrowed shares will have all of the rights of a holder of the Company's outstanding shares. Jefferies agreed to pay to the Company an amount equal to any dividends or other distributions that the Company pays on the borrowed shares. In November 2012, 3,057,000 shares were returned but no cash was exchanged. As of April 12, 2013, 3,057,000 shares were outstanding on the Share Lending Agreement. The Company and Jefferies or its affiliates may provide similar services in the future. Affiliates of Jefferies owned convertible notes of the Company in 2012 and may continue to own such convertible notes in the future. The Company holds marketable securities available for sale in an investment account with a subsidiary of Jefferies. During 2012, Jefferies and its affiliates received commissions and other income in the aggregate amount of $14,520.

In September 2006, the Company entered into an agreement with Ladenburg Thalmann Financial Services Inc. (NYSE MKT: LTS), as subsequently amended, pursuant to which the Company agreed to make available to LTS the services of Mr. Lampen to serve as the President and Chief Executive Officer of LTS and to provide certain other financial, accounting and tax services, including assistance with complying with Section 404 of the Sarbanes-Oxley Act of 2002. LTS paid the Company $750,000 for 2012 under the agreement and pays the Company at a rate of $750,000 per year in 2013. The agreement is terminable by either party upon 30 days' prior written notice. The Company beneficially owns 8.1% of the LTS shares and various executive officers and directors of the Company serve as members of the Board of Directors of LTS. LTS paid compensation of $600,000 in 2012 to each of Messrs. Lorber, who serves as Vice Chairman of LTS, and Mr. Lampen, who serves as President, Chief Executive Officer and as a director of LTS. Mr. Lampen is being reimbursed by LTS, on an after-tax basis, for various automobile expenses and health and dental insurance premiums. The total amount for 2012 was $39,878. The arrangement has been continued in 2013.

On November 4, 2011, the Company was part of a consortium, which included Dr. Phillip Frost, who is a beneficial owner of approximately 17.3% of the Company's common stock and Mr. Lampen, the Company's Executive Vice President, that entered into a loan agreement with LTS. Vector's portion of the loan was $15.0 million. Interest on the

loan is payable quarterly at 11% per annum and commenced on December 31, 2011. The Company recorded interest income of approximately $1,650,000 for the year ended December 31, 2012. Interest is payable in cash, provided that (i) from December 31, 2011 until November 4, 2013, LTS may elect to satisfy interest obligations by adding such amount to the outstanding principal balance of the note, in an amount of up to approximately 36% of accrued and unpaid interest on each payment date during such period, and (ii) after November 4, 2013 until maturity, LTS may also pay interest-in-kind with the consent of certain lenders. This payment-in-kind feature increases the principal sum outstanding on the note that is due at maturity by the amount of such payment-in-kind. Ten percent (10%) of the principal amount of the note, together with accrued and unpaid interest thereon, is due on each of December 31, 2014 and December 31, 2015, and the balance of the November 2011 Loan, together with accrued and unpaid interest thereon, is due on November 4, 2016.

In October 2008, the Company acquired for $4.0 million an approximate 11% interest in Castle Brands Inc. ("Castle") (NYSE MKT: ROX), a publicly traded developer and importer of premium branded spirits. The Company’s Executive Vice President is

Table of Contents

serving as the President and Chief Executive Officer. In October 2008, the Company entered into an agreement with Castle where the Company agreed to make available the services of its Executive Vice President as well as other financial, accounting and tax services. The Company recognized management fees of $100,000 in 2012 under the agreement. Castle will pay the Company at a rate of $100,000 per year in 2013.

In addition to its interests in LTS and Castle, the Company has investments in other entities where Dr. Frost has a relationship. These include: (i) three investments in 2006, 2008 and 2009 totaling approximately $11,000,000 in common stock of OPKO Inc. (NYSE MKT: OPK) and another $1,787,000 investment in OPKO Inc. in 2011; (ii) a $500,000 investment in 2008 for 2,259,796 shares in Tiger X Medical Inc. (formerly known as Cardo Medical Inc. (OTC BB: CDOM)); and (iii) a $250,000 investment in 2008 in Cocrystal Discovery Inc. Dr. Frost is a director, executive officer and/or more than 10% stockholder of these entities as well as of LTS and Castle. Additional investments in entities where Dr. Frost has a relationship may be made in the future.

In September 2012, the Company entered into an office lease with Frost Real Estate Holdings, LLC (“FREH”), an entity affiliated with Dr. Frost. The lease is for 12,390 square feet of space in an office building in Miami, Florida. The initial term of the lease is five years, subject to two optional five-year term extensions. Payments under the lease commence in May 2013. The lease provides for payments of $30,975 per month in the first year increasing to $35,202 per month in the fifth year, plus applicable sales tax. The rent is inclusive of operating expenses, property taxes and parking. A $220,000 tenant improvement allowance will be credited to the rent pro-rata over the initial five-year term. In connection with the execution of the lease, the Company received the advice and opinion of a commercial real estate firm that the lease terms were fair and that the Company received terms favorable in the market.

In May 2009, the Company issued in a private placement a 6.75% Variable Interest Senior Convertible Note due 2014 in the principal amount of $50,000,000 to an entity affiliated with Dr. Frost. The purchase price was paid in cash ($38,224,650) and by tendering $11,005,000 principal amount of the Company's 5% Notes due 2011, valued at 107% of principal amount.The Company recognized cash interest expense of $8,071,930 in 2012 related to notes owned by the entity affiliated with Dr. Frost.

Mr. Lorber serves as a consultant and a 50% owner of Open Acq LLC. During 2012, Mr. Lorber and Open Acq LLC and its affiliates received ordinary and customary insurance commissions aggregating approximately $200,000 on various insurance policies issued for the Company and its subsidiaries and investees. Open Acq LLC and its affiliates have continued to provide services to the Company in 2013.

One of Mr. Lorber's sons is a real estate agent whose license is held at Douglas Elliman LLC, which is indirectly owned 50% by the Company, and he received commissions of $70,294 in accordance with brokerage activities in 2012. He continues to be a real estate agent for Douglas Elliman LLC in 2013.

BOARD PROPOSAL 2 — ADVISORY VOTE ON EXECUTIVE COMPENSATION (THE SAY ON PAY VOTE)

Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, the Company is seeking a non-binding advisory vote from its stockholders to approve the compensation of its named executive officers as described in the “Compensation Discussion and Analysis” beginning on page 9 and the Summary Compensation Table beginning on page 15. This proposal is also referred to as the say on pay vote.

The Company has designed its compensation programs to reward employees for producing sustainable growth and profitability to attract and retain high caliber talent and to align compensation with the long-term interests of its stockholders. The Company believes that its compensation policies and procedures are centered on a pay-for-performance philosophy. In deciding how to vote on this proposal, the board urges you to consider the following factors, which are more fully discussed in the “Compensation Discussion and Analysis” beginning on page 9:

- A substantial portion of executive compensation is tied to performance, which is based on financial and operating goals and differentiated based on individual achievement and responsibility.
- We believe the Company’s quarterly dividend paid to all stockholders is contingent on strong financial performance achieved by the named executive officers and the Company’s ability to receive dividends from its subsidiaries and investees.
- We believe our compensation program is designed with the appropriate balance of risk and rewards consistent with the Company’s overall business strategy.

The Board recommends that stockholders vote FOR the following resolution:

"RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the April 12, 2013 proxy statement, including the Compensation Discussion and Analysis, the executive compensation tables, and the related narrative."

Table of Contents

Because your vote is advisory, it will not be binding upon the board of directors of the Company, meaning that prior compensation determinations of the board will not be invalidated and the board will not be required to adjust executive compensation programs or policies as a result of the outcome of the vote. However, the board values stockholders' opinions and the compensation committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Approval of the say on pay resolutions requires the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the annual meeting and entitled to vote on the matter.

The Company currently submits an advisory vote on executive compensation to stockholders annually. The next say-on-pay vote will occur at the 2014 annual meeting of stockholders.

The Board of Directors recommends that stockholders vote

"FOR"

advisory approval of the Company's executive compensation.

Table of Contents

BOARD PROPOSAL 3 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

The Company asks that stockholders ratify the appointment of PricewaterhouseCoopers LLP, which has been the independent registered certified public accounting firm for the Company since December 1986, as its independent registered public accounting firm for the year ending December 31, 2013. It is expected that one or more representatives of such firm will attend the annual meeting and be available to respond to any questions. These representatives will be given an opportunity to make statements at the annual meeting if they desire.

If the appointment is not ratified, the adverse vote will be considered as an indication to the audit committee that it should consider selecting another independent registered certified public accounting firm for the following fiscal year. Even if the selection is ratified, the Company's audit committee, in its discretion, may select a new independent registered certified public accounting firm at any time during the year if it believes that such a change would be in its best interest.

Approval of the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered certified public accounting firm for the year ending December 31, 2013 requires the affirmative vote of the majority of shares of Common Stock present or represented, and entitled to vote thereon, at the annual meeting.

The Board of Directors recommends that stockholders vote "FOR" Proposal 3 to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered certified public accounting firm for the year ending December 31, 2013.

MISCELLANEOUS

Annual Report

The Company has mailed, with this proxy statement, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 to each stockholder as of the record date. If a stockholder requires an additional copy of such Annual Report, the Company will provide one, without charge, on the written request of any such stockholder addressed to the Company's Secretary, Marc N. Bell, at Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors and executive officers of the Company, as well as persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of initial beneficial ownership and changes in beneficial ownership on Forms 3, 4 and 5 with the SEC. These persons are also required by SEC regulations to furnish the Company with copies of all reports that they file. As a practical matter, the Company assists its directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and representations that no other reports were required, during and with respect to the fiscal year ended December 31, 2012, all reporting persons timely complied with all filing requirements applicable to them.

Communications with Directors

Any stockholder and other interested parties wishing to communicate with any of the Company's directors regarding the Company may write to the director, c/o the Company's Secretary, Marc N. Bell, at Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. The secretary will forward these communications directly to the director(s) in question. The independent directors of the board review and approve this communication process periodically to ensure effective communication with stockholders and other interested parties.

Although the Company does not have a policy with regard to board members' attendance at the annual meeting of stockholders, all of the directors are invited to attend such meeting. Three of the Company's directors were in attendance at the Company's 2012 annual meeting.

Table of Contents

Stockholder Proposals for the 2014 Annual Meeting

Proposals of stockholders intended to be presented at the 2014 annual meeting of stockholders of the Company and included in the Company's proxy statement for that meeting pursuant to Rule 14a-8 of the Exchange Act must be received by the Company at its principal executive offices (effective June 1, 2013), 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137, Attention: Marc N. Bell, Company Secretary, on or before December 18, 2013 in order to be eligible for inclusion in the Company's proxy statement relating to that meeting. Notice of a stockholder proposal submitted outside the processes of Rule 14a-8 will be considered untimely unless submitted by March 3, 2014.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIAL FOR THE STOCKHOLDER MEETING TO BE HELD ON May 28, 2013

A copy of this proxy statement, the enclosed proxy card and the 2012 Annual Report of Vector Group Ltd., together with directions to the meeting, can be found at the website address: www.vectorgroupltd.com/invest.asp.

Table of Contents

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers, broker-dealers and other similar organizations acting as nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement and the Annual Report may have been sent to multiple stockholders in your household. If you would prefer to receive separate copies of a proxy statement or Annual Report for other stockholders in your household, either now or in the future, please contact your bank, broker, broker-dealer or other similar organization serving as your nominee. Upon written or oral request to Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, or via telephone at 305-579-8000, we will provide separate copies of the Annual Report and/or this proxy statement.

Other Matters

All information in this proxy statement concerning the Common Stock has been adjusted to give effect to the 5% stock dividends paid on an annual basis to the stockholders of the Company since September 1999 with the most recent dividend paid on September 28, 2012.

The cost of this solicitation of proxies will be borne by the Company. The Company has hired Georgeson Shareholder Communications Inc. ("Georgeson") to solicit proxies. Georgeson will solicit by personal interview, mail, telephone and email, and will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of Common Stock held of record by such persons. The Company will pay Georgeson a customary fee, anticipated to be approximately $7,500, covering its services and will reimburse Georgeson for reasonable expenses incurred in forwarding soliciting material to the beneficial owners of Common Stock. In addition, some of the directors, officers and regular employees of the Company may, without additional compensation, solicit proxies personally or by telephone.

The Board knows of no other matters which will be presented at the annual meeting. If, however, any other matter is properly presented at the annual meeting, the proxy solicited by this proxy statement will be voted in accordance with the judgment of the person or persons holding such proxy.

By Order of the Board of Directors,
HOWARD M. LORBER
President and Chief Executive Officer
Dated: April 12, 2013

Table of Contents

VECTOR GROUP LTD.
PROXY
SOLICITED BY THE BOARD OF DIRECTORS FOR USE AT THE 2012 ANNUAL MEETING OF STOCKHOLDERS OF VECTOR GROUP LTD.

The undersigned stockholder of Vector Group Ltd. (the "Company") hereby constitutes and appoints each of Marc N. Bell and J. Bryant Kirkland III attorney and proxy of the undersigned, with power of substitution, to attend, vote and act for the undersigned at the 2013 Annual Meeting of Stockholders of the Company, a Delaware corporation, to be held at the Miami Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Tuesday, May 28, 2013 at 11:00 a.m. local time, and at any adjournments or postponements thereof, with respect to the following on the reverse side of this proxy card and, in their discretion, on such other matters as may properly come before the meeting and at any adjournments or postponements thereof.

(Continued and to be signed on the reverse side.)

The Board of Directors recommends a vote FOR Items 1, 2 and 3. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE R

Item 1. Election of Directors:

FOR ALL NOMINEES o

WITHHOLD AUTHORITY FOR ALL NOMINEES o

FOR ALL EXCEPT (See instructions below) o

Nominees: o Bennett S. LeBow, o Howard M. Lorber, o Ronald J. Bernstein, o Stanley S. Arkin, o Henry C. Beinstein, o Jeffrey S. Podell and o Jean E. Sharpe

Item 2. Advisory approval of executive compensation (say on pay):

FOR o

AGAINST o

ABSTAIN o

Item 3. Approval of ratification of PricewaterhouseCoopers LLP as independent registered certified public accounting firm for the year ending December 31, 2013:

FOR o

AGAINST o

ABSTAIN o

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: R

The shares represented by this proxy will be voted in the manner directed by the undersigned stockholder. If not otherwise directed, this proxy will be voted FOR the election of the nominees, FOR the advisory say on pay vote and FOR the ratification of the independent registered certified public accounting firm.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.
[ ]
Signature of Stockholder Date Signature of Stockholder Date
NOTE: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.