



VECTOR GROUP LTD.

J. BRYANT KIRKLAND III
VICE PRESIDENT, TREASURER AND
CHIEF FINANCIAL OFFICER

February 21, 2012

VIA EDGAR

Mr. Doug Jones
Securities and Exchange Commission
100 F Street NE
Mail Stop 3561
Washington, DC 27549

Re: Vector Group Ltd. (the "Company" or "Vector")
Form 10-K for the year ended December 31, 2010
File No. 001-05759

Dear Mr. Jones:

Pursuant to our telephone conversations this week, this letter is submitted by the Company to supplement our previously filed letter, dated February 9, 2012, in response to comments received from the staff of the Securities and Exchange Commission ("SEC") related to Comment Numbers 1 and 4. Both of the aforementioned comments are set forth below and are followed by the Company's revised response with references to the Form 10-K filing.

The Company acknowledges that (i) it is responsible for the adequacy and accuracy of the disclosure in its filings, (ii) staff comments or changes to disclosure in response to staff's comments do not foreclose the SEC from taking any action with respect to the filing and (iii) the Company may not assert staff comments as a defense in any proceeding by the SEC or any person under the federal securities laws of the United States of America.

In accordance with the SEC's letter, we will include additional disclosures and revisions to the SEC's comments in our future annual and quarterly filings, as applicable.

All dollar amounts in the Company's responses are presented in thousands of dollars except amounts quoted from the Special Master's report to the federal court, dated January 31, 2012. The Special Master was appointed by the federal court to manage the federal *Engle* progeny cases.

Form 10-K: For the Fiscal Year Ended December 31, 2010

Management's Discussion and Analysis, page 31

Critical Accounting Policies, page 36

Contingencies, page 36

1. Please discuss in detail the basis upon which accruals are made and the significant judgments, assumptions and uncertainties associated with determining the amount of accruals. For factors that are variable, disclose those most subject to change and the related sensitivity to change, along with the factors that cause changes. Refer to Section V of "Interpretation: Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations" available on our website at <http://www.sec.gov/rules/interp/33-8350.htm> for guidance. Please provide us with a copy of your intended revised disclosure.

Response:

We will include additional disclosure in future filings with the SEC beginning with our Form 10-K for the year ended December 31, 2011. The following sets forth the form of our intended disclosure:

"We record Liggett's product liability legal expenses and other litigation costs as operating, selling, administrative and general expenses as those costs are incurred. As discussed in Note 12 to our consolidated financial statements, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against Liggett and us.

We record provisions in our consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except as disclosed in Note 12 to our consolidated financial statements: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending tobacco-related cases; or (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome of any of the pending tobacco-related cases and, therefore, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. Legal defense costs are expensed as incurred.

Although Liggett has generally been successful in managing litigation in the past, litigation is subject to uncertainty and significant challenges remain, particularly with respect to the *Engle* progeny cases. In 2000, a jury in *Engle v. R.J. Reynolds Tobacco Co.* rendered a \$145,000,000 punitive damages verdict in favor of a "Florida Class" against certain cigarette manufacturers, including Liggett. The Florida Supreme Court ruled in July 2006 to decertify the *Engle* class of smokers on a prospective basis and affirmed the appellate court's reversal of the punitive damages award. Despite the reversal, the Florida Supreme Court allowed the plaintiffs to pursue their claims individually, using certain of the Phase I *Engle* findings. This decision gave rise to the *Engle* progeny cases.

Adverse verdicts have been entered against Liggett and other industry defendants in *Engle*

progeny cases brought in Florida state court, and several of these verdicts have been affirmed on appeal. At December 31, 2011, Liggett and us are defendants in 3,000 state court *Engle* progeny cases. Through December 31, 2011, 55 state court cases have been tried against the industry, with plaintiffs' verdicts in 36 cases and defense verdicts in 19 cases. Other cases have either been dismissed by the court on summary judgment or a mistrial was declared. Since *Engle* progeny trials started in 2009, an average of approximately 20 cases per year has been tried. Based on the current rate of trials per year, it would require decades to resolve the remaining state court *Engle* progeny cases. To date, an adverse verdict has been entered against Liggett in five of the cases tried (exclusive of the *Lukacs* case, discussed in Note 12 to our consolidated financial statements). Through January 31, 2012, other than the *Lukacs* case, the verdicts against Liggett have ranged from \$1 to \$3,008. In one of these cases, the verdict included punitive damages in the amount of \$1,000. We have accrued \$181 for these cases as of December 31, 2011. Our potential range of loss in five *Engle* progeny cases where an adverse verdict has been reached is between \$0 and \$6,088 in the aggregate, plus accrued interest and legal fees. In determining the range of loss, we consider potential settlements as well as future appellate relief.

Except as discussed in Note 12 to our consolidated financial statements with respect to the five cases where an adverse verdict was entered against Liggett, management is unable to estimate the possible loss or range of loss from remaining *Engle* progeny cases as there are currently multiple defendants in each case and discovery has not occurred or is limited. As a result, we lack information about whether plaintiffs are, in fact, *Engle* class members (non-class members' claims are generally time-barred), the relevant smoking history, the nature of the alleged injury and the availability of various defenses, among other things. Further, plaintiffs typically do not specify their demand for damages. We believe that the process under which *Engle* progeny cases are tried is unconstitutional and we continue to pursue our appellate rights.

There is other tobacco-related litigation pending against Liggett and us, which is discussed in Note 12 to our consolidated financial statements and is also evaluated on a quarterly basis.

Management is not able to predict the outcome of any of the other tobacco-related litigation pending or threatened against Liggett or us. You should not infer from the absence of any reserve in our consolidated financial statements that we will not be subject to significant tobacco-related liabilities in the future. Litigation is subject to many uncertainties, and it is possible that our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation."

Notes to Consolidated Financial Statements, page F-8

Note 12: Contingencies, page F-40

4. You state that you are unable to estimate the possible loss or range of loss that could result from an unfavorable outcome in any of the pending tobacco related cases. We recognize that there are a number of uncertainties and potential outcomes associated with loss contingencies. Nonetheless, an effort should be made to develop estimates for purposes of disclosure, including determining which of the potential outcomes are reasonably possible and what the reasonably possible range of losses

would be for those reasonably possible outcomes. In this regard, please (i) explain to us the procedures you undertake on a quarterly basis to attempt to develop a range of reasonably possible loss for disclosure and (ii) for each material matter, what specific factors caused the inability to estimate and when you expect those factors to be alleviated. For example, we note that your June 2010 payment of \$14.361 million related to the *Lukacs* Case was not preceded in an earlier reporting period with disclosure of an amount of reasonably possible loss or range of loss nor of accrual of any amount of loss deemed probable for the case.

Response:

The deadline for filing *Engle* progeny cases, as mandated by the Florida Supreme Court, ended on January 11, 2008. Many cases were filed by the deadline as multi-plaintiff cases in both federal and state court. Although, initially, there were 7,160 cases filed with as many as 9,620 plaintiffs, where both Liggett and Vector were named defendants, as of December 31, 2011, Liggett and Vector were named in 5,755 cases on behalf of approximately 7,950 plaintiffs. Of the 5,755 pending cases against Liggett, 2,755 are in federal court and 3,000 are in state court. To date, only 34 federal cases have been activated by the court. Liggett is currently a named defendant in 15 of the 34 activated cases. The remaining 2,721 cases are inactive and no discovery as to the brand identity or, for the most part, any other pertinent issue, has taken place. None of the federal cases have yet gone to trial.

As of December 31, 2011, of the 55 state court cases that have gone to trial against the industry (excluding *Lukacs* which was tried in 2002, several years before the Florida Supreme Court ruled on *Engle*), there have been 36 plaintiffs' verdicts and 19 defense verdicts. Of these 55 cases, Liggett was a defendant at trial in only nine, or approximately 16% of the cases. The industry has won approximately 35% of the cases that have gone to trial. Many other cases have been dismissed on summary judgment. As of December 31, 2011, 52 cases have trial dates through December 31, 2012, but based on the three-year history of the *Engle* progeny litigation, less than 20 cases per year are actually tried. At that rate, it would take many decades to try just the state court cases. Liggett and the Company have negotiated settlements in 76 cases, for a total of \$992 (\$977 for Liggett and \$15 for Vector). Of the 76 settled cases, six cases accounted for \$788 of the \$992 of settlement payments. To date, 1,318 cases have been voluntarily dismissed by the plaintiffs. Liggett and the Company continue to be voluntarily dismissed from state court cases on a regular basis. In addition, the Special Master in the federal cases filed a report with the court on January 31, 2012 questioning the validity of a significant amount of the 2,755 federal cases. The Special Master said, on page 16 of the report, that the "...federal *Engle*-progeny docket will be somewhere between 900 - 1,500 cases..." if the Special Master's recommendations are adopted by the court. Therefore, the Company is not even in a position to know how many cases Liggett and Vector will remain a defendant, *let alone* the potential liability associated with the cases.

Of the 36 adverse verdicts rendered against the industry (exclusive of *Lukacs*), only five of the verdicts were against Liggett as of December 31, 2011. None were against Vector. The verdicts ranged from \$156 to \$3,008 and in only one case were punitive damages awarded against Liggett (\$1,000). (An additional verdict in the amount of \$1 was entered against Liggett on January 25, 2012.) In the five cases where an adverse verdict was rendered against Liggett, we disclose in Note 12 to the Company's consolidated financial statements the range of the verdicts. These

five cases represent a small portion of the overall number of cases that have been disposed of for a variety of reasons (including no smoking history of Liggett products) or will be disposed of as a result of the Special Master's report, and to extrapolate the range of known verdicts over the total volume of cases (even reduced by some significant factor which takes into account Liggett's small market share) would be a speculative effort and not meaningful disclosure.

In addition to the foregoing factors, the following reasons make estimating a potential liability not feasible and the disclosure would not be meaningful:

1. Most cases are inactive and substantive discovery has not occurred;
2. Without discovery, we cannot properly evaluate whether the smoker or decedent qualifies as an *Engle* class member who would be entitled to the extension of the statute of limitations;
3. Without discovery, we do not know brand usage or amount smoked and when smoked;
4. Without discovery, we do not know what the alleged injuries are (e.g., the value of a lung cancer case is different from the value of a mild COPD case);
5. Without discovery, we do not know if there are viable alternative causation or other defenses;
6. Without discovery, we do not know the level of awareness of the smoker of the risks of smoking throughout the years;
7. With the cases that have gone to trial, there has been a high variability of verdicts and apportionment of fault. These results demonstrate that there is no formula that would form the basis for a reasonable estimate of potential loss;
8. The number of trials that have gone to verdict do not take into account the number of cases where plaintiffs have dropped us for no or nominal amounts of money. The fact that plaintiffs have dropped us in most instances when we have no or *de minimus* smoking history illustrates the importance of having discovery before evaluating a case;
9. Even with some discovery, until depositions are taken we do not have a clear picture of the smoking history, injuries and damages involved in any given case;
10. Plaintiffs do not typically request a specific amount of damages in their pleadings;
11. There are issues with the delay in getting to trial that potentially effect valuation of a case. For example, a plaintiff whose cancer has gone into remission may become statistically unlikely to have a recurrence, if the remission period exceeds a certain length of time. Also, it is impossible to predict whether a smoker, or a smoker's survivors, will still be alive when their case comes to trial;
12. The *Engle* progeny litigation has raised numerous legal issues, many of which have yet to be addressed by the appellate courts, which relate to the viability of *Engle* progeny plaintiffs' claims. A number of these issues are currently on appeal and may significantly impact the survival of a number of causes of action currently pending. Some examples of these legal issues include: a) whether a cigarette manufacturer can be held liable to an *Engle* progeny

plaintiff who never used a product manufactured by that manufacturer; and b) whether a plaintiff is entitled to amend a personal injury complaint to substitute the personal representative of the estate and allege wrongful death, when the smoker dies during the pendency of the litigation or whether the personal representative is required to file a new lawsuit and, if so, what is the impact of the statute of limitations; and

13. The Special Master, appointed by the federal court to manage the federal *Engle* progeny cases, said in the January 31, 2012 report to the court, among other things:

- “...3. There is no predictability to either case outcome or case valuation based on the cases tried thus far in the state courts, and given the nature of these cases, no such predictability should ever be expected.”²³
4. Unlike mass tort cases which involve a single product, a single manufacturer/defendant, a relatively consistent damage effect, no issue of comparative fault, with medical records available and with a relatively short window of historical time, tobacco cases are much less amenable to predictive valuation...
5. The availability of punitive damages distorts the normal dynamics of case valuation and settlement.
6. Plaintiffs win most cases, but with a lower success rate over the last 30 cases.
7. Most recently, juries seem slightly more disposed to deny punitive damages or to award a very low amount. In the most recent verdict in Charlotte County, the jury -- which had decided that punitive damages were appropriate -- was asked to award \$19 million in punitive damages for each plaintiff, but awarded only \$750,000 each for a smoker and his spouse.
8. Compensatory verdicts appear to be trending downward and comparative negligence is being assigned at higher levels than in the first twelve months of *Engle*-progeny trials...

²³ The variability in these *Engle*-progeny cases is substantially more than could reasonably be accounted for by the facts of the cases, suggesting that the main and most unpredictable variable, composition of the jury, accounts for almost all of the disparate outcomes. Although Plaintiffs win more than 50% of the cases tried, verdicts for Plaintiff have ranged from \$100,000 to \$300,000,000.”

The foregoing sets forth management's rationale and analysis as to why it is not feasible or meaningful to attempt to estimate the possible loss or range of loss that could result from the *Engle* progeny cases.

We will enhance our disclosures in future filings with the SEC beginning with our Form 10-K for the year ended December 31, 2011. The following sets forth the form of our intended disclosure:

“NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(x) Contingencies:

The Company records Liggett's product liability legal expenses and other litigation costs as operating, selling, general and administrative expenses as those costs are incurred. As discussed in Note 12 to the Company's consolidated financial statements, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against Liggett and the Company.

The Company and its subsidiaries record provisions in their consolidated financial statements for pending litigation when they determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except as disclosed in Note 12: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending tobacco-related cases; or (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome of any of the pending tobacco-related cases and, therefore, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. Legal defense costs are expensed as incurred.

Adverse verdicts have been entered against Liggett and other industry defendants in *Engle* progeny cases brought in Florida state court, and several of these verdicts have been affirmed on appeal. At December 31, 2011, Liggett and the Company are defendants in 3,000 state court *Engle* progeny cases. Through December 31, 2011, 55 state court cases have been tried against the industry, with plaintiffs' verdicts in 36 and defense verdicts in 19. Other cases have either been dismissed by the court on summary judgment or a mistrial was declared. Since *Engle* progeny trials started in 2009, an average of approximately 20 cases per year have been tried. Based on the current rate of trials per year, it would require decades to resolve the remaining state court *Engle* progeny cases. To date, an adverse verdict has been entered against Liggett in five of the cases tried (exclusive of the *Lukacs* case, discussed below). Other than the *Lukacs* case, the verdicts against Liggett have ranged from \$156 to \$3,008. In one of these cases, the verdict included punitive damages in the amount of \$1,000. Except as discussed in Note 12 with respect to the five cases where an adverse verdict was entered against Liggett, management is unable to estimate the possible loss or range of loss from remaining *Engle* progeny cases as there are currently multiple defendants in each case and discovery has not occurred or is limited. As a result, the Company lacks information about whether plaintiffs are in fact *Engle* class members (non-class members' claims are generally time-barred), the relevant smoking history, the nature of the alleged injury and the availability of various defenses, among other things. Further, plaintiffs typically do not specify their demand for damages. The Company believes that the process under which *Engle* progeny cases are tried is unconstitutional and continues to pursue its appellate rights. Litigation is subject to many uncertainties, and it is possible that the Company's consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation."

NOTE 12 - CONTINGENCIES

In future filings with the SEC beginning with our Annual Report on Form 10-K for the year ended December 31, 2011, the penultimate and final paragraphs of the *Overview* section contained in Note 5 Contingencies to our Form 10-Q dated September 30, 2011, will be replaced with the following paragraphs:

“The Company and its subsidiaries record provisions in their consolidated financial statements for pending litigation when they determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except as disclosed in this note: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending tobacco-related cases; or (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome of any of the pending tobacco-related cases and, therefore, management has not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. Legal defense costs are expensed as incurred.

Engle Cautionary Statement. Adverse verdicts have been entered against Liggett and other industry defendants in *Engle* progeny cases brought in Florida state court, and several of these verdicts have been affirmed on appeal. At December 31, 2011, Liggett and the Company are defendants in 3,000 state court *Engle* progeny cases. Through December 31, 2011, 55 state court cases have been tried against the industry, with plaintiffs' verdicts in 36 and defense verdicts in 19. Other cases have either been dismissed by the court on summary judgment or a mistrial was declared. Since *Engle* progeny trials started in 2009, an average of approximately 20 cases per year have been tried. Based on the current rate of trials per year, it would require decades to resolve the remaining state court *Engle* progeny cases. To date, an adverse verdict has been entered against Liggett in five of the cases tried (exclusive of the *Lukacs* case, discussed below). Excluding the *Lukacs* case, the verdicts against Liggett have ranged from \$156 to \$3,008. In one of these cases, the verdict included punitive damages in the amount of \$1,000. Except as discussed in this Note 12 with respect to the five cases where an adverse verdict was entered against Liggett, management is unable to estimate the possible loss or range of loss from remaining *Engle* progeny cases as there are currently multiple defendants in each case and discovery has not occurred or is limited. As a result, the Company lacks information about whether plaintiffs are in fact *Engle* class members (non-class members' claims are generally time-barred), the relevant smoking history, the nature of the alleged injury and the availability of various defenses, among other things. Further, plaintiffs typically do not specify their demand for damages. The Company believes that the process under which *Engle* progeny cases are tried is unconstitutional and continues to pursue its appellate rights. Litigation is subject to many uncertainties, and it is possible that our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

Although Liggett has generally been successful in managing litigation in the past, litigation is subject to uncertainty and significant challenges remain, particularly with respect to the *Engle* progeny cases. There can be no assurances that Liggett's past litigation experience will be representative of future results. Adverse verdicts have been rendered against Liggett in the past, in individual cases and *Engle* progeny cases, and several of these verdicts have been affirmed on appeal. It is possible that the consolidated results of operations, cash flows or

financial position of the Company could be materially adversely affected by an unfavorable outcome or settlement of certain pending litigation. Liggett believes, and has been so advised by counsel, that it has valid defenses to the litigation pending against it, as well as valid bases for appeal of adverse verdicts. All such cases are, and will continue to be, vigorously defended. Liggett may, however, enter into settlement discussions in particular cases if it believes it is in its best interest to do so. In connection with the *Engle* progeny cases, Liggett has been receptive to opportunities to settle certain cases on favorable economic terms and will continue to do so. Through January 31, 2012, Liggett has settled 76 *Engle* progeny cases for approximately \$988, in the aggregate. There can be no assurances that Liggett's settlement experience to date will be representative of future results."

In future filings with the SEC beginning with our Annual Report on Form 10-K for the year ended December 31, 2011, the final paragraph of the *Engle Progeny Cases* section contained in Note 5 Contingencies to our Form 10-Q dated September 30, 2011, will be replaced with the following paragraph:

"The Company's potential range of loss in the *Campbell, Douglas, Clay, Putney* and *Tullo* cases, is between \$0 and \$6,088 in the aggregate, plus accrued interest and legal fees. No amounts have been expensed or accrued in the accompanying consolidated financial statements for these cases other than \$181. In determining the range of loss, the Company considers potential settlements as well as future appellate relief. The Company is unable to determine a range related to the remaining *Engle* progeny cases. For further information on the *Engle* case and on *Engle* progeny cases, see "Class Actions - *Engle* Case," below."

* * * *

Thank you for your kind assistance with this matter. Please call me at 305-579-8000 with any questions.

Very truly yours,

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

CC: Mr. Patrick Kuhn, Staff Accountant
Vector Group Ltd. Audit Committee
PricewaterhouseCoopers LLP